

**FIRE DISTRICT NO. 1
OF THE TOWNSHIP OF TOMS RIVER**

Financial Statements

For the year ended December 31, 2017

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER

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**For the year ended December 31, 2017
(With Independent Auditor's Report thereon)**

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of Toms River
County of Ocean
Toms River, New Jersey 08753

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Toms River, County of Ocean, State of New Jersey, as of and for the fiscal year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Toms River, County of Ocean, State of New Jersey, as of December 31, 2017, 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 other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

Change in Accounting Principles

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

In addition, as discussed in Note 10 to the financial statements, during the year ended December 31, 2017 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018 on our consideration of the Fire District No. 1 of the Township of Toms River's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 1 of the Township of Toms River's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 29, 2018
Toms River, New Jersey



HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

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618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

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

Board of Fire Commissioners
Fire District No. 1 of the Township of Toms River
County of Ocean
Toms River, New Jersey 08754

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 1 of the Township of Toms River, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the Township of Toms River's basic financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Toms River's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the Township of Toms River's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Toms River's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of Toms River's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 1 of the Township of Toms River'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. 1 of the Township of Toms River's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 29, 2018
Toms River, New Jersey



TOMS RIVER TOWNSHIP FIRE DISTRICT NO. 1

CRAIG AMBROSIO
MARK AUTENRIETH
GEORGE CONVERY
RAYMOND LATSHAW
JESSE SIPE

**1144 HOOPER AVENUE
SUITE 306
TOMS RIVER, NEW JERSEY 0875
PHONE (732)341-4441
FAX (732)505-2150**

TOMS RIVER FIRE CO. No. 1
TOMS RIVER FIRE CO. No. 2
OCEAN BEACH FIRE CO. No. 3
EAST DOVER FIRE CO. No. 4

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

As management of Fire District No. 1 of the Township of Toms River, we offer readers of the Fire District No. 1 of the Township of Toms River financial statements this narrative overview and analysis of the financial activities of the Fire District No. 1 of the Township of Toms River for the year ended December 31, 2017. The intent of this narrative is to look at Fire District No. 1 of the Township of Toms River's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with 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 22.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at December 31, 2017 by approximately \$1.85 million. In 2016 the excess was approximately \$640,900. This is a increase of approximately \$1.21 million.
- During 2017 Fire District No. 1 of the Township of Toms River operated at a surplus of approximately \$1.21 million. The primary reason for this increase is primarily due to the cancellation of a FEMA loan in the approximate amount of \$1.17 million. In 2016 the District operated at a deficit of approximately \$(2.61) million. This is an increase of surplus of approximately \$3.83 million.
- The District increased their liabilities by approximately \$617,600 in 2017 and increased their total assets by approximately \$2.86 million.
- As described in Note 18 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB 73, *Accounting and Financial Reporting for Pension and Related Assets that are not Within the Scope of GASB Statement No. 68* for the year ended December 31, 2017. The adoption of this principle resulted in a restatement of the District's Governmental Activities net position opening fund balance as of January 1, 2017 in the amount of \$2,291,297 and a restatement of the District's opening General Fund fund balance in the amount of \$5,177,877 as indicated in Note 18 to the financial statements. Prior year balances reflected in the MD&A have been updated for comparison purposes, to reflect the change where indicated.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 1 of the Township of Toms River's basic financial statements is 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. 1 of the Township of Toms River. The difference between the two 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 paid out. 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. 1 of the Township of Toms River has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Fire District No. 1 of the Township of Toms River provides firefighting services to the citizens of Toms River Township.

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. 1 of the Township of Toms River uses fund accounting to document compliance with finance-related legal matters. Fire District No. 1 of the Township of Toms River has two types of fund groups, and that is governmental funds and fiduciary funds.

Governmental Funds

Fire District No. 1 of the Township of Toms River'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 you 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. 1 of the Township of Toms River maintains two separate government funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance 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. 1 of the Township of Toms River 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 maintains one fiduciary fund in the District. The fiduciary fund is the Payroll Agency Fund. The District is on the reimbursement method of unemployment insurance. The Board withholds a State determined percentage from each employee’s compensation. A small percentage is remitted to the New Jersey Department of Labor and the balance retained in this fund. Unemployment claims are first paid from this fund and any amounts exceeding the amount in the fund are paid from the general operating fund.

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. 1 of the Township of Toms River’s Net Position is a useful indicator of the District’s financial condition. At the end of 2017 the District’s assets exceeded the liabilities by approximately \$1.85 million. The largest portion of Fire District No. 1 of the Township of Toms River’s Net Position 44% 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.

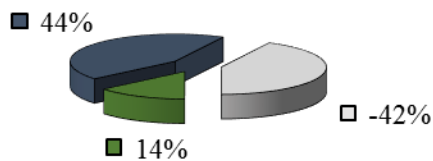
Statement of Net Position:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
NET POSITION
DECEMBER 31, 2017

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Current assets and deferred outflows	\$ 15,251,237	\$ 12,145,436	3,105,801	25.6%
Capital assets	<u>5,370,484</u>	<u>5,616,892</u>	(246,408)	(4.4%)
Total assets	20,621,721	17,762,328	2,859,393	16.1%
Total liabilities and deferred inflows	<u>(18,767,344)</u>	<u>(17,121,469)</u>	1,645,875	9.6%
Net position	<u>\$ 1,854,377</u>	<u>\$ 640,859</u>	1,213,518	189.4%

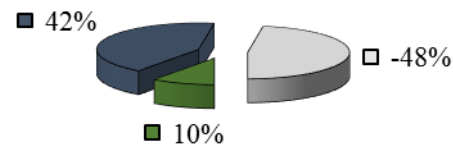
	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Analysis of net position				
Invested in capital assets, net of related debt	\$ 5,370,484	\$ 5,616,892	(246,408)	(4.4%)
Restricted for:				
Capital projects	1,710,662	1,324,972	385,690	29.1%
Unrestricted	<u>(5,226,769)</u>	<u>(6,301,005)</u>	(1,074,236)	(17.0%)
Total net position	<u>\$ 1,854,377</u>	<u>\$ 640,859</u>	1,213,518	189.4%

2017 Net Position



- Restricted for Capital
- Net Investment in Capital Assets
- Unrestricted

2016 Net Position



- Restricted for Capital
- Net Investment in Capital Assets
- Unrestricted

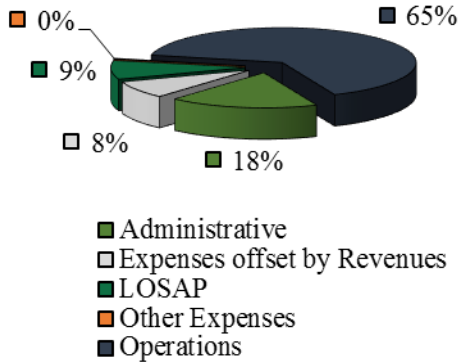
The Net Position of Fire District No. 1 of the Township of Toms River decreased approximately \$1.21 million during the 2017 period.

Governmental Activities

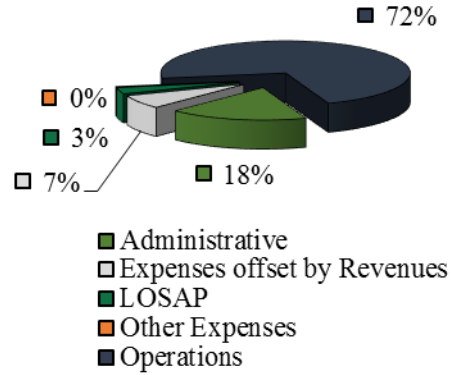
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	\$ 1,302,256	\$ 1,630,874	(328,618)	(20.1%)
Cost of operations and maintenance	4,731,268	6,554,752	(1,823,484)	(27.8%)
Operating appropriations offset with revenues	578,852	612,686	(33,834)	(5.5%)
Other expenses	23,189	26,928	(3,739)	(13.9%)
Length of service award contribution	<u>623,850</u>	<u>273,383</u>	350,467	128.2%
Total program expenses	<u>7,259,415</u>	<u>9,098,623</u>	(1,839,208)	(20.2%)

2017 Program Expenses

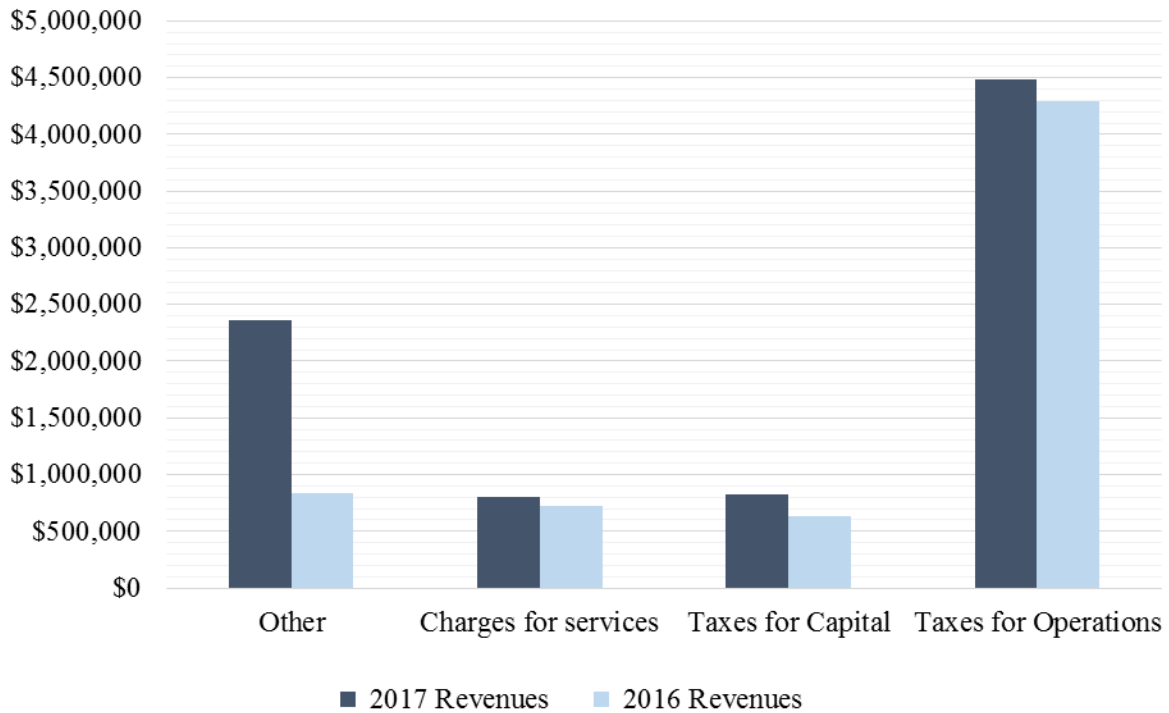


2016 Program Expenses



	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Revenues				
Program revenues				
Charges for services	<u>798,504</u>	<u>722,141</u>	76,363	10.6%
Total program revenues	<u>798,504</u>	<u>722,141</u>	76,363	10.6%
Net program expenses	<u>6,460,911</u>	<u>8,376,482</u>	(1,915,571)	(22.9%)
General revenues				
Property taxes levied for:				
General purposes	4,487,500	4,294,237	193,263	4.5%
Capital purchases	<u>827,350</u>	<u>635,000</u>	192,350	30.3%
Total property taxes levied	<u>5,314,850</u>	<u>4,929,237</u>	385,613	7.8%
Other revenue	<u>2,359,579</u>	<u>830,829</u>	1,528,750	184.0%
Total general revenues	<u>7,674,429</u>	<u>5,760,066</u>	1,914,363	33.2%
Increase (decrease) in net position	1,213,518	(2,616,416)	3,829,934	(146.4%)
Net position, January 1	<u>640,859</u>	<u>3,257,275</u>	(2,616,416)	(80.3%)
Net position, December 31	<u>\$ 1,854,377</u>	<u>\$ 640,859</u>	1,213,518	189.4%

Revenues



Property tax revenue constituted 63% of the total governmental activities revenues received by Fire District No. 1 of the Township of Toms River in 2017. In 2016 the property tax revenue constituted 76% of total revenues.

The Cost of Operations & Maintenance was 65% and 72% of the District’s total expenses in 2017 and 2016, respectively. Administration expenses equaled 18% and 18% of the total expenses in 2017 and 2016, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 1 of the Township of Toms River uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

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

As of December 31, 2017, the combined balance of the governmental cash and investment funds of Fire District No. 1 of the Township of Toms River was approximately \$4.08 million. This balance is approximately \$(638,600) lower than last year’s combined governmental funds balance.

The combined fund balance of the governmental funds of Fire District No. 1 of the Township of Toms River was a surplus of approximately \$11.28 million. Amounts of approximately \$203,000 is restricted for capital, \$5.60 million is restricted for investment in length of service awards program; \$1.70 million is

assigned for subsequent year's expenditures, \$753,000 is assigned for other purposes and \$3.02 million is unassigned.

The general fund is the main operating fund of Fire District No. 1 of the Township of Toms River. At the end of 2017, the total fund balance of the general fund was approximately \$9.57 million.

During 2017 the general fund balance surplus of Fire District No. 1 of the Township of Toms River increased by approximately \$1.06 million. The primary reason for this increase is primarily due to the excess of revenues over expenditures.

At the end of 2017, the District had a capital projects fund balance of approximately \$1.71 million. This was an increase of approximately \$385,700 from the previous year.

General Fund Budgetary Highlights

The original budget had an approximate projected deficit of \$(901,200). The District had total revenues in excess of expenditures of approximately \$1.02 million in 2017.

Administrative expenses were approximately \$229,100 less than projected in 2017. Operating expenses were approximately \$1.06 million less than projected in 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2017 Fire District No. 1 of the Township of Toms River had invested in capital assets for government activities of approximately \$5.37 million (net of accumulated depreciation). Capital assets consist of fire apparatus, fire equipment, and office equipment. The District purchased approximately \$513,000 of capital assets in 2017.

**CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2017**

	2017	2016	\$ Increase (Decrease)
Capital assets			
Construction in progress	\$ 399,427	\$ -	399,427
Trucks and equipment	10,791,810	10,700,668	91,142
Buildings	2,474,638	2,474,638	-
Land improvements	<u>379,469</u>	<u>379,469</u>	-
Total capital assets	14,045,344	13,554,775	490,569
Accumulated depreciation	<u>(8,674,860)</u>	<u>(7,937,883)</u>	(736,977)
Total capital assets, net	<u>\$ 5,370,484</u>	<u>\$ 5,616,892</u>	(246,408)

Long-Term Obligations

The Fire District No. 1 of the Township of Toms River had an outstanding FEMA community disaster loan totaling approximately \$403,900 in 2017.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2017, Fire District No. 1 of the Township of Toms River was able to fund its appropriations through the fire tax levy and other revenues. The 2017 budget anticipated a deficit of approximately \$901,200, but finished the year with an excess of \$1.02 million.

Fire District No. 1 of the Township of Toms River adopted the 2018 budget on January 3, 2018. The 2018 budget reflects a 3.4% increase in the tax levy compared to 2017. The 2018 budget anticipates the use of approximately \$1.70 million of fund balance appropriated.

REQUESTS FOR INFORMATION

The District's financial report is designed to provide users of the financial statements with a general overview of the District's finances and to show the District's accountability for the money it receives. The financial statements of the District are a matter of public record and may be examined at 1144 Hooper Ave, Suite 306, Toms River, NJ 08753 during the District's business hours.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Statement of Net Position
December 31, 2017

	Governmental Activities
	2017
Assets:	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 1,657,851
Investments (Note 4)	2,419,855
Accounts receivable (Note 5)	1,680,956
Other receivables (Note 13)	19,170
Total current assets	5,777,832
Noncurrent assets:	
Investment in length of service awards program (Note 4)	5,602,594
Total noncurrent assets	5,602,594
Capital assets, net:	
Nondepreciable (Note 6)	399,427
Depreciable (Note 6)	4,971,057
Total capital assets	5,370,484
Total assets	16,750,910
Deferred outflow of resources:	
Deferred outflows related to length of service awards program (Note 12)	2,121,917
Deferred outflows related to pensions (Note 9)	1,748,894
Total deferred outflow of resources	3,870,811
Total assets and deferred outflow of resources	\$ 20,621,721
Liabilities:	
Current liabilities:	
Accounts payable	\$ 97,586
Pensions payable	204,504
Accrued interest payable	10,656
FEMA community disaster loan (Note 8)	197,027
Total current liabilities	509,773
Noncurrent liabilities:	
Accrued interest payable	806
Compensated absences (Note 11)	337,839
FEMA community disaster loan (Note 8)	206,879
Unfunded LOSAP obligation	-
Other post-employment benefits (Note 10)	782,860
Net length of service awards program liability (Note 12)	10,751,169
Net pension liability (Note 9)	5,138,775
Total noncurrent liabilities	17,218,328
Total liabilities	17,728,101
Deferred inflow of resources:	
Deferred inflows related to pensions (Note 9)	1,039,243
Total deferred inflow of resources	1,039,243
Total liabilities and deferred inflow of resources	18,767,344
Net position:	
Net investments in capital assets	5,370,484
Restricted:	
Capital	1,710,662
Unrestricted	(5,226,769)
Total net position	1,854,377
Total liabilities, deferred inflows of resources and net position	\$ 20,621,721

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Statement of Activities
For the year ended December 31, 2017

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u> <u>2017</u>
Government activities:			
Operation appropriations:			
Administration	\$ 1,302,256	\$ -	\$ 1,302,256
Costs of operations and maintenance	4,731,268	-	4,731,268
Operating appropriations offset with revenues	578,852	798,504	(219,652)
Length of service award contribution	623,850	-	623,850
Appropriations for first aid squad	5,000	-	5,000
Other financing sources and uses	9,128	-	9,128
Interest expense	9,061	-	9,061
	<hr/>	<hr/>	<hr/>
Total government activities	7,259,415	798,504	6,460,911
General revenues:			
Miscellaneous revenue			1,130,898
Operating grant revenues			57,131
Amount raised by taxation			5,314,850
Special Items:			
Cancellation of Community Disaster Loan (Note 8)			1,171,550
			<hr/>
Total general revenues			7,674,429
Excess of expenditures over revenues			<hr/>
			1,213,518
Net position, January 1, unadjusted			2,932,156
Prior period adjustment (Note 18)			<hr/>
			(2,291,297)
Net position, January 1, restated			<hr/>
			640,859
Net position, December 31			<hr/> <hr/>
			\$ 1,854,377

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Governmental Funds
Balance Sheet
December 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,657,851	\$ -	\$ 1,657,851
Investments	2,419,855	-	2,419,855
Accounts receivable	1,680,956	-	1,680,956
Other receivable	19,170	1,713,469	1,732,639
Total current assets	<u>5,777,832</u>	<u>1,713,469</u>	<u>7,491,301</u>
Noncurrent assets:			
Investments in length of service awards program	5,602,594	-	5,602,594
Total noncurrent assets	<u>5,602,594</u>	<u>-</u>	<u>5,602,594</u>
Total assets	<u>\$ 11,380,426</u>	<u>\$ 1,713,469</u>	<u>\$ 13,093,895</u>
Liabilities, equity and other credits:			
Accounts payable	\$ 94,779	\$ 2,807	\$ 97,586
Other payable	1,713,469	-	1,713,469
Total liabilities	<u>1,808,248</u>	<u>2,807</u>	<u>1,811,055</u>
Fund balances:			
Restricted for:			
Capital	-	202,902	202,902
Investment in length of service awards program	5,602,594	-	5,602,594
Assigned for:			
For subsequent year's expenditures	875,000	827,350	1,702,350
Other purposes	72,599	680,410	753,009
Unassigned, reported in:			
General fund	<u>3,021,985</u>	<u>-</u>	<u>3,021,985</u>
Total fund balance	<u>9,572,178</u>	<u>1,710,662</u>	<u>11,282,840</u>
Total liabilities and fund balance	<u>\$ 11,380,426</u>	<u>\$ 1,713,469</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding's are applicable to future reporting periods and, therefore, are not reported in the funds.	2,831,568
Accrued interest payable and PERS pension payable are not recorded in the fund financial statements due to the fact that payable is not due in the period.	(215,966)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,045,344 and the accumulated depreciation is \$8,674,860.	5,370,484
Long-term liabilities, including bonds payable and length of service awards program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(17,414,549)</u>
Net position of governmental activities	<u>\$ 1,854,377</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Revenues:			
Miscellaneous anticipated revenue:			
Joint purchase agreement	\$ 856,770	\$ -	\$ 856,770
Sale of assets	2,677	-	2,677
Investment income - unrestricted cash and investments	49,775	-	49,775
Fire Academy insurance claim	130,547	-	130,547
Investment income - length of service award program	156,388	-	156,388
Investment income - life insurance cash values	26,691	-	26,691
Other revenue	91,129	-	91,129
Total miscellaneous revenues	<u>1,313,977</u>	<u>-</u>	<u>1,313,977</u>
Operating grant revenues:			
Supplemental fire service act	20,097	-	20,097
Homeland Security grant	37,034	-	37,034
Total operating grant revenue	<u>57,131</u>	<u>-</u>	<u>57,131</u>
Miscellaneous revenues offset with appropriations:			
Uniform fire safety act revenues:			
Annual registration fee	342,639	-	342,639
Penalties and fines	46,990	-	46,990
Other revenues	254,292	-	254,292
Total uniform fire safety act revenues	<u>643,921</u>	<u>-</u>	<u>643,921</u>
Other revenues offset with appropriations	<u>154,583</u>	<u>-</u>	<u>154,583</u>
Total miscellaneous revenues offset with appropriations	<u>798,504</u>	<u>-</u>	<u>798,504</u>
Total revenues	<u>2,169,612</u>	<u>-</u>	<u>2,169,612</u>
Amount raised by taxation to support district budget	<u>4,487,500</u>	<u>827,350</u>	<u>5,314,850</u>
Total anticipated revenues	<u>6,657,112</u>	<u>827,350</u>	<u>7,484,462</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Expenditures:			
Operating appropriations:			
Net position of governmental activities			
Salaries and wages	405,816	-	405,816
	363,491	-	363,491
Other expenditures:			
Other rentals	28,091	-	28,091
Insurance	79,450	-	79,450
Permits, licenses and fees	5,868	-	5,868
Professional fees	55,430	-	55,430
Legal ads	3,554	-	3,554
Elections	13,440	-	13,440
Travel expenses	5,345	-	5,345
Dues and subscriptions	2,945	-	2,945
Training and education	777	-	777
Clothing	625	-	625
Operating materials and supplies	462	-	462
Utilities	12,350	-	12,350
Office supplies and postage	8,059	-	8,059
Maintenance and repairs	16,005	-	16,005
Payroll service	7,805	-	7,805
Testimonials	1,606	-	1,606
Contingencies	165	-	165
Other non-bondable assets	7,711	-	7,711
Total administration	<u>1,018,995</u>	<u>-</u>	<u>1,018,995</u>
Cost of operations and maintenance:			
Salaries and wages	1,180,555	-	1,180,555
Fringe benefits	725,470	-	725,470
Other expenditures:			
Rental charges	334,714	-	334,714
Other rentals	195,116	-	195,116
Insurance	9,266	-	9,266
Permits, licenses and fees	5,117	-	5,117
Contracted services	68,000	-	68,000
Professional services	42,725	-	42,725
Travel expenses	37,247	-	37,247
Dues and subscriptions	1,408	-	1,408
Training and education	23,317	-	23,317
Uniforms	205,416	-	205,416
Operating materials and supplies	42,167	-	42,167
Utilities	153,398	-	153,398
Office supplies and postage	8,532	-	8,532
Maintenance and repairs	306,961	-	306,961
Supplemental fire grant	22,107	-	22,107
Homeland security grant	37,034	-	37,034
Contingencies	717	-	717
Other non-bondable assets	263,471	-	263,471
Total cost of operations and maintenance	<u>3,662,738</u>	<u>-</u>	<u>3,662,738</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Operating appropriations offset with revenues:			
Salaries and wages	258,247	-	258,247
Fringe benefits	97,748	-	97,748
Other expenditures	222,857	-	222,857
Total operating appropriations offset with revenues	<u>578,852</u>	<u>-</u>	<u>578,852</u>
Length of service awards program:			
Administrative fees	3,470	-	3,470
Life insurance premiums	20,543	-	20,543
Participant withdrawals	309,349	-	309,349
Total length of service awards program	<u>333,362</u>	<u>-</u>	<u>333,362</u>
Appropriations for first aid squad	5,000	-	5,000
Total operating appropriations	<u>5,598,947</u>	<u>-</u>	<u>5,598,947</u>
Capital expenditures:			
Trucks and equipment	-	417,446	417,446
Fire academy	-	13,500	13,500
Total capital expenditures	<u>-</u>	<u>430,946</u>	<u>430,946</u>
Total governmental expenditures	<u>5,598,947</u>	<u>430,946</u>	<u>6,029,893</u>
Other financing sources and uses:			
Capital projects cancellation	10,714	(10,714)	-
Unrealized gain/(loss) on investments	(9,128)	-	(9,128)
Total other financing sources and uses	<u>1,586</u>	<u>(10,714)</u>	<u>(9,128)</u>
Excess of revenues over expenditures	<u>1,059,751</u>	<u>385,690</u>	<u>1,445,441</u>
Fund balance, January 1	3,334,550	1,324,972	4,659,522
Prior period adjustment (Note 18)	5,177,877	-	5,177,877
Fund balance, January 1, restated	<u>8,512,427</u>	<u>1,324,972</u>	<u>9,837,399</u>
Fund balance, December 31	<u>\$ 9,572,178</u>	<u>\$ 1,710,662</u>	<u>\$ 11,282,840</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2017

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 1,445,441

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	105,730	
Capital Outlays - Capital Projects Fund	407,303	
Depreciation Expense	(768,863)	
Adjustments and Deletions of Fixed Assets	<u>9,422</u>	(246,408)

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>(329,739)</u>	(329,739)
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Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.

Prior Year	2,401	
Current Year	<u>(11,462)</u>	(9,061)

Length of service awards 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 awards program	(575,000)	
Length of service awards program expense	(48,850)	
Appreciation in fair value of investments	(156,388)	
Life insurance cash values	(26,691)	
Life insurance premiums	20,543	
Administrative fees	3,470	
Participant withdrawals	<u>309,349</u>	(473,567)

In the statement of activities, Other post-employment benefits are measured by the amount that is to be provided for accrued plan benefits. In the governmental fund, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in the amount to be provided for accrued plan benefits was \$391,176.

Prior Year	391,684	
Current Year	<u>(782,860)</u>	(391,176)

Cancellation of Community Disaster Loan, is a revenue in the statement of activities, the cancellation reduces the amount of long term liabilities in the statement of net position.

Principal	1,146,172	
Interest	<u>25,378</u>	1,171,550

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 decrease in sick leave paid was \$46,478.

46,478

Changes in net position of governmental activities \$ 1,213,518

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2017

	<u>Payroll</u> <u>Agency</u>	<u>Totals</u>
Assets:		
Cash	\$ 18,760	\$ 18,760
Benefits receivable	741	741
Total assets	<u>\$ 19,501</u>	<u>\$ 19,501</u>
Liabilities:		
Accrued taxes and benefits payable	\$ 308	\$ 308
Other liabilities	19,170	19,170
Total liabilities	<u>19,478</u>	<u>19,478</u>
Net position:		
Reserved:		
For Payroll	<u>23</u>	<u>23</u>
Total net position	<u>23</u>	<u>23</u>
Total liabilities and net position	<u>\$ 19,501</u>	<u>\$ 19,501</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements
For the year ended December 31, 2017

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of Toms River is a political subdivision of the Township of Toms River, County of Ocean, State of New Jersey. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner’s term is three years with the annual election held the third Saturday of every February.

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

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

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

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

B. District Officials

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

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Craig Ambrosio	2019
Mark Autenrieth	2020
George Convery	2019
Raymond Latshaw	2018
Jesse Sipe	2020

C. Accounting Records

The official accounting records of the Fire District No. 1 of the Township of Toms River are maintained in the office of the District.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Fund Accounting

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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 two categories: governmental and fiduciary. Each category, in turn is divided into separate "fund types."

Governmental Funds:

General Fund

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

Capital Projects Fund

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

Fiduciary Funds:

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

Trust and Agency Fund

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

C. District Wide and Fund Financial Statements

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit.

Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

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

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

Fund Financial Statements

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

D. Basis of Accounting

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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

Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Fire District No. 1 of the Township of Toms River follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 1 of the Township of Toms River'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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Encumbrances

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrance at December 31, 2017 totaled \$72,599 for the General Fund and \$680,410 for the Capital Projects Fund.

G. Cash, Cash Equivalents and Investments

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

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

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

H. Prepaid Expenses

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Debt Limitation

N.J.S.A.40A:14-85 governs procedures for the issuance of any debt related to capital purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

J. Capital Assets

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

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

Station and Improvements	10 to 30 Years
Equipment	5 to 15 Years
Mobile Equipment	5 to 10 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 sick leave. Unused sick leave may be accumulated up to 910 hours for 35 hour employees and 1,040 hours for 40 hour employees and may be carried forward to subsequent years. Vacation days not used during the year by bureau and dispatch employees may be carried forward up to 35 hours; District 1 employees may not accumulate and carry forward. 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Revenues and Expenditures

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

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

O. Fire District Taxes

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

P. Deferred Outflows and Deferred Inflows of Resources

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

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

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Toms River classifies governmental fund balances as follows:

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

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

S. Net Position

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

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

T. Use of Estimates

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

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

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement resulted in a prior period adjustment. See Note 18 for additional information.

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

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

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Impact of Recently Issued Accounting Principles (continued)

Recently Issued Accounting Pronouncements

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

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

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

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

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Impact of Recently Issued Accounting Principles (continued)

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

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

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

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

V. Unrealized Gains and Losses

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

W. Fair Value Measurement

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Fair Value Measurement (continued)

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

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

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

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

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

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

Government Backed Securities – Valued at the net asset value of the security held by the District at year end.

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

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

W. Subsequent Events

Fire District No. 1 of the Township of Toms River has evaluated subsequent events occurring after December 31, 2017 through the date of June 29, 2018, which is the date the financial statements were available to be issued.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 3: CASH AND CASH EQUIVALENTS

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

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ <u>1,676,611</u>
Total deposits	\$ <u>1,676,611</u>
Reconciliation to Governmental Fund Statements:	
Governmental Funds	\$ 1,657,851
Fiduciary Funds	<u>18,760</u>
Total	\$ <u>1,676,611</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, the District's bank balance of \$1,725,467 was insured or collateralized as follows:

Insured	\$ 393,395
Collateralized in the District's name under GUDPA	<u>1,332,027</u>
Total	\$ <u>1,725,467</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fire 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk

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

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

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2017.

	Assets at Fair Value as of December 31, 2017			
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<i>Total</i>
LOSAP:				
Fixed account investment	\$ -	\$ -	\$ 5,602,594	\$ 5,602,594
Government backed securities	<u>2,419,855</u>	<u>-</u>	<u>-</u>	<u>2,419,855</u>
Total assets at fair value	<u>\$ 2,419,855</u>	<u>\$ -</u>	<u>\$ 5,602,594</u>	<u>\$ 8,022,449</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, 2017.

	Level III Assets
	Year Ended
	<u>December 31, 2017</u>
Balance, beginning of year	\$ 5,177,877
Purchases, sales, issuances and settlements (net)	245,108
Gains & (losses)	<u>179,609</u>
Balance, end of year	<u>\$ 5,602,594</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 5: ACCOUNTS RECEIVABLE

As of December 31, 2017, accounts receivables consisted of the following:

Property tax receivable	\$ 1,669,326
Due from others	385
Due from Fire District No. 2	<u>11,245</u>
Total	<u>\$ 1,680,956</u>

NOTE 6: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the Fire Districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase 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.

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

	<u>Balance</u> 12/31/2016	<u>Additions</u>	<u>Retirements</u>	<u>Valuation</u> <u>Adjustment</u>	<u>Balance</u> 12/31/17
Governmental activities					
Capital assets					
Capital assets that are not being depreciated					
Construction in progress	\$ -	\$ 399,427	\$ -	\$ -	\$ 399,427
Total capital assets that are not being depreciated	<u>-</u>	<u>399,427</u>	<u>-</u>	<u>-</u>	<u>399,427</u>
Trucks and equipment	10,700,668	113,606	(41,500)	19,036	10,791,810
Building	2,474,638	-	-	-	2,474,638
Land improvements	<u>379,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,469</u>
Totals at historical cost	<u>13,554,775</u>	<u>113,606</u>	<u>(41,500)</u>	<u>19,036</u>	<u>13,645,917</u>
Total capital assets	<u>13,554,775</u>	<u>513,033</u>	<u>(41,500)</u>	<u>19,036</u>	<u>14,045,344</u>
Less: accumulated depreciation					
Trucks and equipment	(7,223,266)	(704,710)	33,075	(1,189)	(7,896,090)
Buildings	(424,819)	(49,493)	-	-	(474,312)
Land improvements	<u>(289,798)</u>	<u>(14,660)</u>	<u>-</u>	<u>-</u>	<u>(304,458)</u>
Total accumulated depreciation	<u>(7,937,883)</u>	<u>(768,863)</u>	<u>33,075</u>	<u>(1,189)</u>	<u>(8,674,860)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 5,616,892</u>	<u>\$ (255,830)</u>	<u>\$ (8,425)</u>	<u>\$ 17,847</u>	<u>\$ 5,370,484</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 7: JOINT VENTURE

Several functions of the two Fire Districts of the Township of Toms River are performed on a “pooled” or shared basis. Expenditures are paid by District No. 1. The allocated portion of the disbursements is billed for reimbursement to District No. 2. This allocation is determined by a formula based on the ratio agreed upon by both districts. The agreed ratio for District No. 1 was 64% for all expenses through the year ended December 31, 2017. For the year ended December 31, 2017, 36% of expenses were allocated to District No. 2.

The joint activities produce revenue from fees charged at the Fire Academy and from fire inspection fees. These revenues are returned to each District, based on the agreed upon ratio as described above.

The Board of Commissioners of Fire District No. 1 has been designated as the “lead agency.” As such, it is responsible for the bookkeeping of the joint activities. These financial statements are abstracted from the accounting records of Fire District No. 1.

NOTE 8: LONG-TERM OBLIGATIONS

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

	Balance 12/31/16	Accrued/ increases	(Retired)/ (decreases)	Balance 12/31/17	Due within One Year
Compensated absences	\$ 384,317	\$ -	\$ (46,478)	\$ 337,839	\$ -
FEMA community disaster loan	1,550,078	-	(1,146,172)	403,906	197,027
Other post-employment benefits	391,684	391,176	-	782,860	-
Length of service awards program	8,155,685	2,595,484	-	10,751,169	-
Net pension liability	<u>6,303,610</u>	<u>-</u>	<u>(1,164,835)</u>	<u>5,138,775</u>	<u>-</u>
Total	<u>\$ 16,785,374</u>	<u>\$ 2,986,660</u>	<u>\$(2,357,485)</u>	<u>\$17,414,549</u>	<u>\$ 197,027</u>

A. FEMA COMMUNITY DISASTER LOAN

On April 17, 2013, the Fire District No. 1 of the Township of Toms River submitted a formal request for a FEMA Community Disaster Loan (CDL) in the amount of \$1,550,078 in relation to Super Storm Sandy losses and expenditures. On June 5, 2013, the Board of Fire Commissioners approved a resolution to amend the 2013 Budget by \$1,000,000, the amount of the CDL that was awarded in 2013. The remaining amount of \$550,078 was received during the year ended December 31, 2014.

On June 19, 2017, the District received a partial cancellation of principal of \$1,146,172 on the CDL leaving an outstanding balance as of December 31, 2017 of \$403,906. As part of the cancellation, \$25,378 of accrued interest was cancelled and a 5-year extension for full repayment was granted, for total forgiveness of \$1,171,550 for the year ended December 31, 2017.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 8: LONG-TERM OBLIGATIONS (continued)

A. FEMA COMMUNITY DISASTER LOAN (continued)

The interest rate on the loan is 0.625% and the loan becomes due on December 31, 2019. Interest accrues on the funds as they are disbursed. As of December 31, 2017, \$11,462 of interest has accrued on the loan.

Principal and interest due on the loan is as follows:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 197,027	\$ 10,656	\$ 207,683
2019	<u>206,879</u>	<u>806</u>	<u>207,685</u>
Total	<u>\$ 403,906</u>	<u>\$ 11,462</u>	<u>\$ 415,368</u>

NOTE 9: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

Contributions – The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the District's contractually required contribution to PERS plan was \$204,504.

Components of Net Pension Liability – At December 31, 2017, the District's proportionate share of the PERS net pension liability was \$5,138,775. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017, was 0.0220752915% which was an increase of 0.0007916310% from its proportion measured as of June 30, 2016.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 1,748,894	\$ 2,199,731
Deferred Inflows of Resources	1,039,243	10,929
Net Pension Liability	5,138,775	6,303,610
Fire District No. 1 of the Township of Toms River's portion of the Plan's total net pension Liability	0.02208%	0.02128%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2017, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is \$520,207. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 121,000	\$ -
Changes of Assumptions	1,035,286	1,031,491
Net Difference between Projected and Actual Earnings on Pension Plan Investments	34,992	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Toms River's Contributions and Proportion Share of Contributions	<u>557,616</u>	<u>7,752</u>
	<u>\$ 1,748,894</u>	<u>\$ 1,039,243</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

The District will amortize the above sources of deferred outflows and inflows related to PERS 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	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Toms River's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 243,139
2019	293,073
2020	231,729
2021	21,363
2022	<u>(79,653)</u>
	<u>\$ 709,651</u>

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

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

Discount Rate – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Fire District No. 1 of the Township of Toms River's Proportionate Share of the Net Pension Liability	<u>\$6,374,999</u>	<u>\$5,138,775</u>	<u>\$4,108,847</u>

**NOTE 10: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS –
HEALTH CARE BENEFITS**

The District provides single-employer defined health benefits through its group insurance plan to certain retirees, provided that the employee has:

- Retired on a disability pension;
- Retired after 25 years or more service credit in a state or locally administered retirement system and a period of service of five (5) years service to the District or its predecessors; or
- Retired upon or after attaining the age of 62 years and at least 15 years of service to the District or its predecessors.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 10: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (continued)

The District also provides full coverage towards the cost of health benefits for the spouses and/or dependents of eligible retired employees. During the year ended December 31, 2017 and December 31, 2016, the District expended \$150,197 and \$149,689. There are 6 participants currently receiving retiree benefits, and 28 active participants of whom 3 are eligible to retire as of the valuation date.

This is the second year the District is recognizing its post employment healthcare plan benefit costs based upon the implementation requirements of GASB Statement 45.

The contribution requirements of plan members are established and may be amended by the Commissioners. The District's annual post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, any amounts contributed to the plan and the District's net OPEB obligation.

	2017	2016
Annual required contribution (ARC)	\$ 541,373	\$ 541,373
Interest on Net OPEB Obligations	-	-
Adjustment to ARC	-	-
Annual OPEB Cost	<u>541,373</u>	<u>541,373</u>
Less: Contributions	<u>(150,197)</u>	<u>(149,689)</u>
Net Increase in net OPEB Obligations	391,176	391,684
Net OPEB obligation – beginning of year	<u>391,684</u>	-
Net OPEB obligation – end of year	<u>\$ 782,860</u>	<u>\$ 391,684</u>
Percentage of Annual OPEB Cost Contributed	27.7%	27.6%

The funded status of the plan for the District as of December 31, 2016, is as follows:

	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 5,902,588
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,902,588</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 1,552,597
UAAL as a percentage of covered payroll	380%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 10: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS
HEALTH CARE BENEFITS (continued)

An irrevocable trust was established for retirees of the District dedicated to paying retiree health plan benefit costs. Per the actuarial valuation on December 31, 2016 the amount of the actuarial accrued liability for those retirees was \$5,902,588.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2016 actuarial valuation, the projected unit credit funding method was used. A rate of 4.50% was utilized as the discount rate and the amount of increase in the normal cost amount. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years. Inflation rate assumptions were utilized using the short-term rates expected on the SHBP plan along with information in published papers from other industry experts (actuaries, health economists, etc.) For medical benefits this amount initially is at 6.0% and decreases 0.1% per annum to a 5.0% per annum in 2026. For prescription drug benefits, the initial trend rate is 11.0% decreasing by 0.5% per annum to 2021 and 1.0% per annum thereafter, leveling at 5% per annum in 2026.

NOTE 11: VESTED EMPLOYEE BENEFITS

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2017 the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u>2017</u>
Total Compensated Absences	\$ 337,839

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 12: LENGTH OF SERVICE AWARD PROGRAM

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

The assets of the plan are invested in a fixed-income Group Annuity Contract with MassMutual Life Insurance Company under which MassMutual pools funds invested for various Length of Service Awards Program customers along with funds in The MassMutual’s general account. Interest income is provided at an average rate of return of approximately 3.5% for 2017 and there is a guaranteed minimum return of 3%.

Contributions – The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District. For the year ended December 31, 2017, the District’s contractually required contribution to the plan was \$575,000.

Basis of Presentation - The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of LOSAP 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.

Components of Net Pension Liability – At December 31, 2017, the District’s net pension liability relating to the length of service awards program was \$10,751,169. The net pension liability was measured as of December 31, 2017. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of January 1, 2017, which was rolled forward to December 31, 2017. The components of the net pension liability at December 31, 2017, were as follows:

Collective Balances at December 31, 2017

		<u>12/31/2017</u>
Actuarial valuation date		January 1, 2017
Deferred outflows of resources	\$	2,121,917
Deferred inflows of resources		-
Plan fiduciary liability		-
Net pension liability		10,751,169
Plan fiduciary net position as a percentage of the total pension liability		0.00%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 12: LENGTH OF SERVICE AWARD PROGRAM (continued)

The following table shows the Changes in the Net Pension Liability as follows:

	Increase (Decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balance at 1/1/17	\$ 8,155,685	\$ -	\$ 8,155,685
Changes for the year:			
Service costs	238,963	-	238,963
Interest	264,833	-	264,833
Changes in benefit terms	-	-	-
Differences in expected and actual experience	1	-	1
Changes in assumptions	2,425,047	-	2,425,047
Benefit payments and expenses	<u>(330,360)</u>	<u>-</u>	<u>(330,360)</u>
Net changes	<u>2,595,484</u>	<u>-</u>	<u>2,595,484</u>
Balance at 12/31/17	<u>\$ 10,751,169</u>	<u>\$ -</u>	<u>\$ 10,751,169</u>

Pension Expense – The pension expense, calculated by the plan as of the December 31, 2017 measurement date is \$806,927 as follows:

Note	Description	Amount
A	Service cost	\$ 238,963
B	Interest on the total pension liability	364,833
A	Changes of benefits terms	-
C	Differences between expected and actual experience	-
C	Changes of assumptions	<u>303,131</u>
	Total pension expense relating to LOSAP	<u>\$ 806,927</u>

Notes:

- A Provided in the Changes in Net Pension Liability exhibit
 B Based on the following calculation:

Amount for period (a)	Portion of period (b)	Projected rate of return (c)	Projected Earnings (a) x (b) x (c)
\$ 8,155,685	100%	3.31%	\$ 269,953
238,963	0%	3.31%	-
(309,347)	100%	3.31%	<u>(5,120)</u>
			<u>\$ 264,833</u>

- C Provided in summary of deferred outflows and deferred inflows

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 12: LENGTH OF SERVICE AWARD PROGRAM (continued)

Deferred Outflows/Inflows of Resources – At December 31, 2017, the District’s reported deferred outflows of resources and deferred inflows of resources related to the length of service awards program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 1	\$ -
Changes of Assumptions	<u>2,121,916</u>	<u>-</u>
	<u>\$ 2,121,917</u>	<u>\$ -</u>

The District will amortize the above sources of deferred outflows and inflows related to the length of service awards program 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 LOSAP plan deferral:		
December 31, 2017	7.00	-
Changes of assumptions		
Year of LOSAP plan deferral:		
December 31, 2017	7.00	-

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to the length of service awards program that will be recognized as pension expense in future periods:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 303,131
2019	303,131
2020	303,131
2021	303,131
2022	303,131
Thereafter	<u>606,262</u>
	<u>\$ 2,121,917</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 12: LENGTH OF SERVICE AWARD PROGRAM (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary Increases:	Not Applicable
Investment Rate of Return	3.31%
	net of pension plan investment expense, including inflation
Mortality Rate Table	Pre-retirement: None Post-retirement: GAR94
Retirement	First eligible
Turnover	T5
Disability	None

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the January 1, 2017 actuarial valuation report.

Discount Rate – The discount rate used to measure the total pension liability was 3.31% which is based on the 20-year AA general obligation bond rate as of December 31, 2017.

Sensitivity of the District’s Net Pension Liability to Changes in the Discount Rate – The following presents the District’s net pension liability calculated using the discount rate as disclosed above, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease (2.61%)	Current Discount Rate (3.61%)	1% Increase (4.61%)
Net Pension Liability - LOSAP	<u>\$ 11,522,286</u>	<u>\$ 10,751,169</u>	<u>\$ 9,962,913</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 13: INTERFUND RECEIVABLE/PAYABLE

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

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 19,170	\$ 1,713,469
Capital projects	1,713,469	-
Payroll agency	<u>-</u>	<u>19,170</u>
Totals	<u>\$ 1,732,639</u>	<u>\$ 1,732,639</u>

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

NOTE 14: FUNDING

The activities of the Board of Commissioners are primarily funded by the fire tax on property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2017, the fire tax rate on the Fire District No. 1 was \$.061 per \$100 of assessed valuation. The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$20,097. As a condition of this grant, the Board must match the grant by 10%.

NOTE 15: FUND BALANCE

General Fund – Of the \$9,572,178 General Fund fund balance at December 31, 2017, \$5,602,594 is restricted for length of service awards program, \$875,000 has been assigned for subsequent year’s expenditures, \$72,599 has been assigned for other purposes; and \$3,021,985 is unassigned.

Capital Fund – Of the \$1,710,662 Capital Fund fund balance at December 31, 2017, \$827,350 has been assigned for subsequent year’s expenditures \$680,410 has been assigned for other purposes; and \$202,902 has been restricted for the Capital Projects Fund.

NOTE 16: COMMITMENTS

The District entered into a contract with the Board of Education of Toms River Regional Schools for the leasing of premises at 1144 Hooper Avenue, Suite 306. The lease is a five year lease with future payments at December 31 as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 22,482
2019	22,482
2020	22,482
2021	22,482
2022	<u>3,747</u>
	<u>\$ 93,675</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 17: FIRE ACADEMY

On November 8, 2013, the Fire District's burn room had a fire and substantial damage occurred. During 2014, the Fire District received \$285,980 in insurance claim reimbursements. A referendum was passed to raise \$699,150 in capital project monies in 2015 to replace the burn building for Fire District No. 1 of the Township of Toms River's portion of the replacement cost. The rebuilding of the burn room was completed during the year ended December 31, 2016 and the total cost was \$1,393,138. The District received an additional \$130,547 dollars in insurance claim reimbursements for the year ended December 31, 2017.

NOTE 18: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of January 1, 2017, has been restated as follows for the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and for the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Net position was restated as follows:

	Governmental <u>Activities</u>	Governmental <u>Fund:</u> <u>General Fund</u>	Fiduciary <u>Fund:</u> <u>Length of Service Award Program</u>
Net position as previously reported at December 31, 2016	\$ 2,932,156	\$ 3,334,550	\$ 5,177,877
Prior period adjustment - implementation of GASB 45:			
Addition of other post-employment benefits	(391,684)		
Prior period adjustment - implementation of GASB 73:			
Reclassification of length of service award program investment balance from Fiduciary Fund to Governmental Fund	5,177,877	5,177,877	(5,177,877)
Addition of net length of service awards program liability	<u>(7,077,490)</u>	<u>-</u>	<u>-</u>
Total prior period adjustment	<u>(2,291,297)</u>	<u>5,177,877</u>	<u>(5,177,877)</u>
Net position as restated January 1, 2017	<u>\$ 640,859</u>	<u>\$ 8,512,427</u>	<u>\$ -</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 19: DEFICIT UNRESTRICTED NET POSITION

Unrestricted Net Position – As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(5,226,769) existed as of December 31, 2017 for governmental activities. The primary causes of this deficit is the District recording of the long-term liabilities their proportionate share of the net pension liability, net length of service awards program liability and other post-retirement benefits, 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. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Budgetary Comparison Schedule
For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Joint purchase agreement	\$ 1,047,238	\$ 1,047,238	\$ 856,770	\$ (190,468)
Sale of assets	-	-	2,677	2,677
Investment income	30,000	30,000	49,775	19,775
Fire Academy insurance claim	-	-	130,547	130,547
Other revenue	25,000	25,000	91,129	66,129
Total miscellaneous revenues	<u>1,102,238</u>	<u>1,102,238</u>	<u>1,130,898</u>	<u>28,660</u>
Operating grant revenues:				
Supplemental fire service act	20,097	20,097	20,097	-
Homeland security grant	38,000	38,000	37,034	(966)
Total operating grant revenue	<u>58,097</u>	<u>58,097</u>	<u>57,131</u>	<u>(966)</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	320,000	320,000	342,639	22,639
Penalties and fines	48,000	48,000	46,990	(1,010)
Other revenues	175,500	175,500	254,292	78,792
Total uniform fire safety act revenues	<u>543,500</u>	<u>543,500</u>	<u>643,921</u>	<u>100,421</u>
Other revenues offset with appropriations	160,000	160,000	154,583	(5,417)
Total miscellaneous revenues offset with appropriations	<u>703,500</u>	<u>703,500</u>	<u>798,504</u>	<u>95,004</u>
Total revenues	<u>1,863,835</u>	<u>1,863,835</u>	<u>1,986,533</u>	<u>122,698</u>
Amount raised by taxation to support district budget	5,314,850	5,314,850	5,314,850	-
Total anticipated revenues	<u>7,178,685</u>	<u>7,178,685</u>	<u>7,301,383</u>	<u>122,698</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Budgetary Comparison Schedule
For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	448,500	448,500	405,816	42,684
Fringe benefits	389,000	389,000	363,491	25,509
Other expenditures:				
Other rentals	52,050	52,050	28,091	23,959
Insurance	100,300	100,300	79,450	20,850
Permits, licenses and fees	14,000	12,000	5,868	6,132
Professional fees	121,000	121,000	55,430	65,570
Legal ads	3,700	3,700	3,554	146
Elections	10,000	12,350	13,440	(1,090)
Travel expenses	16,000	13,650	5,345	8,305
Dues and subscriptions	4,000	4,000	2,945	1,055
Training and education	3,000	3,000	777	2,223
Uniforms	2,000	2,000	625	1,375
Operating materials and supplies	3,500	3,500	462	3,038
Utilities	12,000	12,000	12,350	(350)
Office supplies and postage	15,000	15,000	8,059	6,941
Maintenance and repairs	21,000	17,000	16,005	995
Payroll service	12,000	12,000	7,805	4,195
Testimonials	3,000	3,000	1,606	1,394
Contingencies	1,500	1,500	165	1,335
Other non-bondable assets	22,500	22,500	7,711	14,789
Total administration	<u>1,254,050</u>	<u>1,248,050</u>	<u>1,018,995</u>	<u>229,055</u>
Cost of operations and maintenance:				
Salaries and wages	1,267,500	1,267,500	1,180,555	86,945
Fringe benefits	872,100	870,700	725,470	145,230
Other expenditures:				
Rental charges	350,000	350,000	334,714	15,286
Other rentals	195,116	195,116	195,116	-
Insurance	20,000	17,000	9,266	7,734
Permits, licenses and fees	2,250	2,250	5,117	(2,867)
Contracted services	108,000	108,000	68,000	40,000
Professional services	55,500	60,300	42,725	17,575
Legal ads	500	500	-	500
Travel expenses	44,000	45,600	37,247	8,353
Dues and subscriptions	3,600	3,600	1,408	2,192
Training and education	52,400	48,400	23,317	25,083
Uniforms	258,700	310,420	205,416	105,004
Operating materials and supplies	84,000	84,000	42,167	41,833

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Budgetary Comparison Schedule
For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance (continued):				
Other expenditures (continued):				
Utilities	212,000	203,000	153,398	49,602
Office supplies and postage	15,200	15,520	8,532	6,988
Maintenance and repairs	448,201	450,355	306,961	143,394
Supplemental fire grant	22,107	22,107	22,107	-
Homeland security grant	38,000	38,000	37,034	966
Contingencies	5,000	5,000	717	4,283
Other non-bondable assets	575,800	628,462	263,471	364,991
Total cost of operations and maintenance	<u>4,629,974</u>	<u>4,725,830</u>	<u>3,662,738</u>	<u>1,063,092</u>
Operating appropriations offset with revenues:				
Salaries and wages	271,000	271,000	258,247	12,753
Fringe benefits	137,900	137,900	97,748	40,152
Other expenditures	294,600	294,600	222,857	71,743
Total operating appropriations offset with revenues	<u>703,500</u>	<u>703,500</u>	<u>578,852</u>	<u>124,648</u>
Length of service award program	<u>650,000</u>	<u>650,000</u>	<u>575,000</u>	<u>75,000</u>
Appropriations for first aid squad	<u>15,000</u>	<u>15,000</u>	<u>5,000</u>	<u>10,000</u>
Capital appropriations	<u>827,350</u>	<u>1,709,575</u>	<u>430,946</u>	<u>1,278,629</u>
Total appropriations	<u>8,079,874</u>	<u>9,051,955</u>	<u>6,271,531</u>	<u>2,780,424</u>
Other financing sources and uses:				
Unrealized (loss)/gain on investments	<u>-</u>	<u>-</u>	<u>(9,128)</u>	<u>(9,128)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(9,128)</u>	<u>(9,128)</u>
Excess (efficiency) of revenues over (under) expenditures	(901,189)	(1,873,270)	1,020,724	2,893,994
Fund balance, January 1	<u>4,659,522</u>	<u>4,659,522</u>	<u>4,659,522</u>	<u>-</u>
Fund balance, December 31	<u>\$ 3,758,333</u>	<u>\$ 2,786,252</u>	<u>\$ 5,680,246</u>	<u>\$ 2,893,994</u>
RECAPITULATION OF FUND BALANCE				
Restricted fund balance:				
Capital reserve			\$ 1,710,662	
Assigned fund balance:				
Designated for subsequent year's expenditures			875,000	
Other purposes			72,599	
Unassigned fund balance			<u>3,021,985</u>	
Total - budgetary basis			5,680,246	
Reconciliation to governmental fund statements (GAAP):				
Length of service award program investment balance not recognized on the budgetary basis			<u>5,602,594</u>	
Total fund balance per governmental funds (GAAP)			<u>\$ 11,282,840</u>	

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2017

**Total
Governmental
Funds**

Sources/Inflows of Resources:

Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-1)	\$	7,301,383

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:

Appreciation in fair value of investments		156,388
Life insurance cash values		26,691
		283,079
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$	7,484,462

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Appropriations"		
From the Budgetary Comparison Schedule (C-1)	\$	6,271,531

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		(575,000)
Administrative fees		3,470
Life insurance premiums		20,543
Participant withdrawals		309,349
		(241,678)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$	6,029,893

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

	Measurement Date Ended June 30,				
	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.02208%	0.02128%	0.01830%	0.01790%	0.01801%
District's proportionate share of the net pension liability (asset)	\$ 5,138,775	\$ 6,303,610	\$ 4,107,280	\$ 3,351,460	\$ 3,441,595
District's covered-employee payroll	\$ 1,522,597	\$ 1,466,691	\$ 1,364,118	\$ 1,321,059	\$ 1,319,643
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	337.50%	429.78%	301.09%	253.69%	260.80%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

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. 1 OF THE TOWNSHIP OF TOMS RIVER
Schedule of District Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Contractually required contribution	\$ 205,504	\$ 189,081	\$ 157,304	\$ 147,569	\$ 135,683
Contributions in relation to the contractually required contribution	205,504	189,081	157,304	147,569	135,683
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,542,493	\$ 1,522,597	\$ 1,466,691	\$ 1,364,118	\$ 1,321,059
Contributions as a percentage of covered-employee payroll	13.32%	12.42%	10.73%	10.82%	**N/A

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. 1 OF THE TOWNSHIP OF TOMS RIVER
Schedule of Funding Progress - Postemployment Health Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2016	\$ -	\$ 5,902,588	\$ 5,902,588	0%	\$ 1,552,597	380%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF TOMS RIVER
Changes in the Net Pension Liability and Related Ratios
Length of Service Awards Program (LOSAP)
Last Ten Fiscal Years

	2017
Total pension liability:	
Service cost	\$ 238,963
Interest	264,833
Changes in benefit terms	-
Differences between expected and actual experience	1
Changes in assumptions	2,425,047
Payments for benefits and admin expenses	(333,360)
Net change in total pension liability	2,595,484
Total pension liability - beginning	8,155,685
Total pension liability - ending	\$ 10,751,169
Net pension liability - LOSAP	\$ 10,751,169
Plan fiduciary net position as a percentage of the total pension liability	0.00%
District's covered payroll	\$1,542,493
Net pension liability as a percentage of covered payroll	697.00%
Expected average remaining service years for all participants	8

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. 1 OF THE TOWNSHIP OF TOMS RIVER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017**

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

Length of Service Awards Program (LOSAP)

Changes of Benefit Terms

None.

Changes of Assumptions

Eliminated pre-retirement mortality; changed post-retirement mortality from UP84-1 to GAR94.



Board of Fire Commissioners
Fire District No. 1 of the Township of Toms River
County of Ocean
Toms River, New Jersey 08754

We have audited the basic financial statements of the Fire District No. 1 of the Township of Toms River in the County of Ocean, State of New Jersey, for the year ended December 31, 2017. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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.

The District has a qualified purchasing agent on staff and therefore may award contracts up to \$40,000 without competitive bids.

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

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.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$6,000 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Examination of Bills

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

Examination of Cash Receipts

A test check of cash receipts was performed.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly.

Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no findings in the prior year.

Acknowledgment

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

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

Should you have any questions, please contact us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 29, 2018
Toms River, New Jersey