

**WOODBRIIDGE TOWNSHIP
FIRE DISTRICT NO. 2
WOODBRIIDGE, NEW JERSEY**

**REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2017**

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.

**WOODBRIIDGE TOWNSHIP
FIRE DISTRICT NO. 2
COUNTY OF MIDDLESEX, NEW JERSEY**

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**WOODBRIAGE TOWNSHIP
FIRE DISTRICT NO. 2
COUNTY OF MIDDLESEX, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Township of Woodbridge Fire District No. 2
Woodbridge, New Jersey

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Woodbridge Fire District No. 2, Woodbridge, New Jersey (the "District") as of December 31, 2017, and 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 the audit requirements as prescribed 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 of 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 risk 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 statement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Woodbridge Fire District No. 2, Woodbridge, New Jersey, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Woodbridge Fire District No. 2, Woodbridge, New Jersey, the basic financial statements. Supplemental data and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules and information contained in Part III – Other Required Supplementary Information, as listed in the table of contents, are the responsibility of management and were derived directly from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedules and information, contained in part IV – Supplementary Schedules and data, as listed in the table of contents, has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In Accordance with Government Auditing Standards, we have also issued our report dated October 31, 2018, on our consideration of the Township of Woodbridge Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Township of Woodbridge Fire District No. 2's internal control over financial reporting and compliance.



HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants



Andrew G. Hodulik
Registered Municipal Account
No. 406

Highland Park, New Jersey
October 31, 2018

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

Honorable Chairman and Members of the
Township of Woodbridge Fire District No. 2
Woodbridge, New Jersey

We have audited, 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 the audit requirements as prescribed 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 the governmental activities of the Township of Woodbridge Fire District No. 2, Woodbridge, New Jersey, (the "District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Township of Woodbridge Fire District No. 2 basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying General Comments Section of this report.

We noted certain matters, including matters of control deficiencies, which we reported to the District in the General Comments section of this report.

Purpose of this Report

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

This report is intended for the information and use of the members and management of the Township of Woodbridge Fire District No. 2 and the Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.



HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants

Highland Park, New Jersey
October 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION – PART I

WOODBRIIDGE TOWNSHIP FIRE DISTRICT #2
WOODBRIIDGE, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2017

Our discussion and analysis of the Woodbridge Township Fire District No. 2's financial performance provides an overview of the District's financial activities for the year ended December 31, 2017.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing financial information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increase or decrease in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities;

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants.

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balance left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether these are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.
- Capital projects funds – accounts for all financial resources to be used for acquisition or construction of major capital facilities.
- Debt service funds – accounts for payment of debt instruments pursuant to terms and maturity requirements.

Fiduciary Funds

- Trust funds – accounts for assets held in a trustee capacity or others.

The District as a Board

Reporting the District's Fiduciary Responsibilities

The District is a board of commissioners for the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

THE DISTRICT AS A WHOLE

For the year ended Deember 31, 2017 and 2016, net position is as follows:

Figure A - 3
Net Position

	Governmental Activities 2017	Governmental Activities 2016	% Increase (Decrease)
Assets			
Current and other assets	\$1,093,023	\$969,654	12.72%
Other Accounts Receivable (Allowance for Doubtful Accounts)	22,973 (22,973)		
Capital assets	<u>525,862</u>	<u>575,854</u>	<u>-8.68%</u>
Total Assets	<u>1,618,885</u>	<u>1,545,507</u>	<u>4.75%</u>
Deferred Outflows of Resources	<u>749,466</u>	<u>1,140,507</u>	<u>-34.29%</u>
Total Deferred Outflows of Resources	<u>749,466</u>	<u>1,140,507</u>	<u>-34.29%</u>
Liabilities			
Current and other liabilities	128,847	149,092	-13.58%
Long-term liabilities	<u>3,596,418</u>	<u>4,350,097</u>	<u>-17.33%</u>
Total Liabilities	<u>3,725,265</u>	<u>4,499,189</u>	<u>-17.20%</u>
Deferred Inflows of Resources	<u>656,290</u>	<u>64,231</u>	<u>921.77%</u>
Total Deferred Inflows of Resources	<u>656,290</u>	<u>64,231</u>	<u>921.77%</u>
Net Position			
Net assets invested in capital Assets net of debt	525,862	575,854	-8.68%
Restricted	568,893	528,893	7.56%
Unrestricted	<u>(3,107,959)</u>	<u>(2,982,152)</u>	<u>4.22%</u>
Total Net Position	<u><u>(\$2,013,204)</u></u>	<u><u>(\$1,877,405)</u></u>	<u><u>7.23%</u></u>

The results of this year's operations for the district Governmental Activities as a whole are reported in the Statement of Activities. Figure A - 4, below, takes the information from the Statement, rounds off the numbers, and rearranges them so you can see our total revenues and expenses for the year.

Figure A - 4
Change in Net Position

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Revenues:			
General revenue			
Local tax levy	1,965,165	1,891,655	73,510
Miscellaneous revenues (Incl. special items & transfers)	46,303	419,652	(373,349)
Total general revenues	<u>2,011,468</u>	<u>2,311,307</u>	<u>(299,839)</u>
Total revenues	<u>\$2,011,468</u>	<u>\$2,311,307</u>	<u>(\$299,839)</u>
Function/program expense:			
Fire/First Aid Protection	2,092,775	2,139,913	(47,138)
LOSAP Costs	4,500	8,500	(4,000)
Depreciation	49,992	26,701	23,291
Total expenses	<u>\$2,147,267</u>	<u>\$2,175,114</u>	<u>(\$27,847)</u>
Increase (Decrease) net position	<u><u>(\$135,799)</u></u>	<u><u>\$136,193</u></u>	<u><u>(\$271,991)</u></u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the General Fund budget. These budget amendments included transfers that resulted in positive budget variances for the year ended December 31, 2017.

CAPITAL ASSETS

For the year ended December 31, 2017, capital assets charged are as follow:

	2016		2017
	GAAP		GAAP
	<u>Basis</u>	<u>Additions</u>	<u>Basis</u>
<u>Capital Assets</u>			
Fire equipment	\$36,562.00		\$36,562.00
Building Improv.	1,228,666.44		1,228,666.44
Vehicles	<u>736,509.37</u>		<u>736,509.37</u>
	2,001,737.81		2,001,737.81
Less:			
Accumulated depreciation	<u>1,425,884.01</u>	<u>49,991.84</u>	<u>1,475,875.85</u>
Capital assets, net	<u>\$575,853.80</u>	<u>\$(49,991.84)</u>	<u>\$525,861.96</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District has adopted a budget for the calendar year 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide Woodbridge Township residents and taxpayers, and the District's customers, investors and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, please contact the District Clerk's office, Woodbridge Township Fire District #2, Port Reading Fire House, Port Reading Avenue, Port Reading, New Jersey, 07064.

BASIC FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS/ DISTRICT-WIDE

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBIDGE, NEW JERSEY

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2017

<u>ASSETS</u>	GENERAL FUND	TOTAL	ADJUSTMENTS NOTE 1R.	STATEMENT OF NET POSITION
Cash and Cash Equivalents	\$ 1,093,022.99	\$ 1,093,022.99	\$ (568,893.00)	\$ 524,129.99
Other Accounts Receivable (Allowance for Doubtful Accounts)	22,973.05 (22,973.05)	22,973.05 (22,973.05)		22,973.05 (22,973.05)
Capital Assets, net of accumulated depreciation			525,861.96	525,861.96
Cash and Cash Equivalents - Restricted			568,893.00	568,893.00
Total Assets	\$ 1,093,022.99	\$ 1,093,022.99	\$ 525,861.96	\$ 1,618,884.95
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Net Pension Liability			749,466.00	749,466.00
Total Deferred Outflows of Resources			749,466.00	749,466.00
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts Payable	\$ 40,846.82	\$ 40,846.82		\$ 40,846.82
Accrued Expenses	88,000.00	88,000.00		88,000.00
Noncurrent Liabilities:				
Net Pension Liability			3,362,462.00	3,362,462.00
Due Beyond One Year				
Compensated Abscenses			233,956.00	233,956.00
Total Liabilities	128,846.82	128,846.82	3,596,418.00	3,725,264.82
DEFERRED INFLOWS OF RESOURCES				
Deferred Amount on Net Pension Liability			656,290.00	656,290.00
Total Deferred Inflows of Resources			656,290.00	656,290.00
Fund Balances/Net Position:				
Fund Balances:				
Restricted				
Future Capital Outlay	568,893.00	568,893.00	(568,893.00)	
Assigned				
Designated for Subsequent Year's Expenditures	42,279.00	42,279.00	(42,279.00)	
Unassigned	353,004.17	353,004.17	(353,004.17)	
Total Fund Balances	964,176.17	964,176.17	(964,176.17)	
Total Liabilities and Fund Balances	\$ 1,093,022.99	\$ 1,093,022.99		
Net Position				
Invested in Capital Assets, net of Related Debt			525,861.96	525,861.96
Restricted for Capital Projects			568,893.00	568,893.00
Unrestricted			(3,107,958.83)	(3,107,958.83)
Total Net Position			\$ (2,013,203.87)	\$ (2,013,203.87)

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBIDGE, NEW JERSEY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>GENERAL FUND</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>	<u>ADJUSTMENTS NOTE 1R.</u>	<u>STATEMENT OF ACTIVITIES</u>
Expenditures/Expenses:					
Fire/First Aid Protection - Operations	\$ 1,863,353.95	\$	\$ 1,863,353.95	\$ 229,421.00	\$ 2,092,774.95
LOSAP Costs	4,500.00		4,500.00		4,500.00
Depreciation				49,991.84	49,991.84
Total Expenditures/Expenses	<u>1,867,853.95</u>		<u>1,867,853.95</u>	<u>279,412.84</u>	<u>2,147,266.79</u>
General Revenues:					
District Taxes	1,925,165.00	40,000.00	1,965,165.00		1,965,165.00
Interest on Investments on Deposits	1,567.07		1,567.07		1,567.07
Lea Rebates/NJ Fire Code	28,098.15		28,098.15		28,098.15
Supplemental Fire Services Act	4,307.40		4,307.40		4,307.40
Miscellaneous	12,330.55		12,330.55		12,330.55
Total General Revenues	<u>1,971,468.17</u>	<u>40,000.00</u>	<u>2,011,468.17</u>		<u>2,011,468.17</u>
Excess of Revenues Over Expenditures	103,614.22	40,000.00	143,614.22	(279,412.84)	
Other Financing Sources (Uses):					
Operating Transfers In	40,000.00		40,000.00		
Operating Transfers (Out)		(40,000.00)	(40,000.00)		
Total Other Financing Sources and Uses	<u>40,000.00</u>	<u>(40,000.00)</u>			
Excess of Revenues and Transfers Over Expenditures and Transfers Out	143,614.22		143,614.22	(108,489.86)	
Change In Net Position				136,192.83	(135,798.62)
<u>Fund Balance(s)/Net Position:</u>					
Beginning of Year	<u>820,561.95</u>		<u>820,561.95</u>		<u>(1,877,405.25)</u>
End of Year	<u>\$ 964,176.17</u>	<u>\$</u>	<u>\$ 964,176.17</u>	<u>\$</u>	<u>\$ (2,013,203.87)</u>

Note: See Notes to Financial Statements.

FIDUCIARY FUNDS

WOODBRIAGE TOWNSHIP FIRE DISTRICT NO. 2
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

DECEMBER 31, 2017

ASSETS

Cash and Investments With Fiscal Agents	\$ <u>234,872.99</u>
Total Assets	\$ <u><u>234,872.99</u></u>

NET POSITION

Held In Trust For:	
Deferred Compensation	\$ <u>234,872.99</u>
Total Net Position	\$ <u><u>234,872.99</u></u>

See Accompanying Notes to Financial Statements.

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 2
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

ADDITIONS:

Contributions:

District Contributions	\$ <u>6,500.00</u>
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Total Contributions	<u>6,500.00</u>
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Investment Earnings:

Net Increase (Decrease) in Fair Value of Investments	42,475.84
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Interest on Investments	<u>858.04</u>
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Net Investment Earnings	<u>43,333.88</u>
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Total Additions	49,833.88
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DEDUCTIONS:

Benefits Paid to Participants and or Beneficiaries	<u>23,746.03</u>
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Changes in Net Position	26,087.85
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Net Position - Beginning of Year	<u>208,785.14</u>
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Net Position - End of Year	\$ <u><u>234,872.99</u></u>
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See Accompanying Notes to Financial Statements.

WOODBRIIDGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBRIIDGE, NEW JERSEY

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Woodbridge Township Fire District No. 2 (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2000. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments. This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999.

The more significant of the District's accounting policies are described below.

A. Reporting Entity:

The District was organized under the laws of the State of New Jersey relating to Fire Districts and established pursuant to N.J.S.A. 40A: 14-70, et seq. The District receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since fire commissioners are elected by the public and have decision-making capabilities within the District to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units, as defined in Governmental Accounting Standards Board Statement 14, which are included in the District’s reporting entity.

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 District
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

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

Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Position at the Fund Financial Statement level.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basic Financial Statement Presentation (cont'd)

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

Pursuant to single-program government reporting, the District has elected to combine the following: 1. statements of net position and balance sheet for governmental funds; 2. statement of activities and revenues, expenditures, and changes in fund balance for governmental funds.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements. Separate Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

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 in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects - The portion of the General Fund reserved for future capital outlays is used to account for all financial resources to be used for the acquisition or construction of major capital facilities. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds and lease purchase obligations issued to finance major property acquisition, construction and improvement programs.

FIDUCIARY FUNDS

Length of Service Awards Program Trust (LOSAP) - Employee Benefit Trust should be used to report resources that are required to be held in trust for members and beneficiaries of employee benefit plans.

C. Basis of Accounting and Measurement Focus:

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

Revenue Recognition – Revenue is recognized when it becomes 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. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual (earned) in the current fiscal period. Other revenue is considered available if collected within one year.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus (cont'd):

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that interest and principal expenditures in the Debt Service Fund are recognized on their due dates.

In its accounting and financial reporting, the District 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 District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

D. Budgets/Budgetary Control:

The District is required by state law to adopt an annual budget for the General Fund. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

E. Reserve for Encumbrances:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. 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 in governmental funds 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. The encumbered appropriation the District carries over into the next year. For budgetary purposes, an entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year-end.

F. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District utilizes a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions 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 New Jersey.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Cash, Cash Equivalents and Investments (cont'd):

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Inventories and Prepaid Expenses:

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

I. Short-Term Interfund Receivables/Payables:

Short-term 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.

J. Capital Assets:

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 40 years for building and building improvements and buildings, and 5 to 25 years for vehicles and equipment.

K. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place. The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K. Compensated Absences (cont'd):

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is reported.

L. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other 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.

N. Net Position:

Net position represents the difference between the assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balance of any long-term used to build or acquire the capital assets. Net assets are reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as capital reserve requirements and proceeds from the issuing of the bonds and leases related to the capital project.

P. Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

R. Reconciliation of Adjustments

The following adjustments/reclassifications were required for the combining of the government-wide and fund financial statements in accordance with GASB:

Statement of Net Position and Governmental Fund Balance Sheet:

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	1,093,022.99	(568,893.00)	524,129.99
Cash and Cash Equivalents - Restricted	0	568,893.00	568,893.00
Capital Assets, net of accum. depreciation	0	525,861.96	525,861.96
<u>DEFERRED OUTFLOWS</u>	0	749,466.00	749,466.00
<u>LIABILITIES</u>			
Noncurrent Liabilities: Due Beyond One Year	0	3,596,418.00	3,596,418.00
<u>DEFERRED INFLOW</u>	0	656,290.00	656,290.00
<u>FUND BALANCES</u>			
Assigned, Designated	42,279.00	(42,279.00)	0
Unassigned	353,004.17	(353,004.17)	0
Restricted, Capital Projects	568,893.00	(568,893.00)	0
<u>NET POSITION</u>			
Invested in Capital Assets, net of Related Debt	0	525,861.96	525,861.96
Restricted for Capital Projects	0	568,893.00	568,893.00
Unrestricted	0	(3,107,958.83)	(3,107,958.83)

Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balance:

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Expenditures/Expenses:			
Operating Appropriation	1,863,353.95	229,421.00	2,092,774.95
Depreciation		49,991.84	49,991.84
General Revenues:			
Excess/(Deficiency) of Revenues over/(under) Expenditures	143,614.22	(143,614.22)	0
Change in Net Position		(135,798.62)	(135,798.62)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

S. GASB Statement No. 34

The District adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments during the fiscal year ended December 31, 2004. Statement 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a Management’s Discussion and Analysis section, a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position and a Statement of Cash Flows. It requires the classification of Net Position into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net position, the reflection of capital contributions as a change in net assets, presentation of the Statement of Cash Flows using the direct method, and the inclusion of Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.

T. Recent Accounting Standards

GASB issued Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14” in January 2016. 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.

GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements” in March 2016. 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.

GASB issued Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73” in March 2016. 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.

GASB issued Statement No. 83, “Certain Asset Retirement Obligations” in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)**T. Recent Accounting Standards (Cont'd)**

GASB issued Statement No. 84, “Fiduciary Activities” in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB issued Statement No. 85, “Omnibus 2017” in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB issued Statement No. 86, “Certain Debt Extinguishment Issues” in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB issued Statement No. 87, “Leases” in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

T. Recent Accounting Standards (Cont'd)

The District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The District is required to adopt these new standards in connection with the organization's financial statements.

U. 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 fiduciary net position of the New Jersey Public Employees Retirement System (PERS) and New Jersey Police & Firemen's Retirement System (PFRS) and additions to/deductions from PERS and PFRS fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. 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.

V. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The Authority is reporting one item in this category; Pension related items including the Difference between expected and actual experiences, the Change in Pension Assumptions, the Change in Pension Proportion and the amounts of pension payments made by the Authority subsequent to the pension measurement date.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The District is reporting two items in this category, the Difference in Pension Earnings and the Change in Pension Proportion. The first represents the District's proportionate share of plan earnings in excess of assumed amounts, while the second represents the favorable impact of a decline in the District's proportionate share of system wide net pension liability.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions 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 New Jersey.

New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature within one year. Collateralization of fund investments is generally not required.

The Woodbridge Township Fire District No. 2 had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.

As of December 31, 2017, cash and cash equivalents and investments on deposit and on-hand are summarized below:

<u>Depository Account</u>	<u>Amount</u>
Change Funds – On Hand	\$ 400.00
On Deposit – Demand & Checking	550,856.27
On Deposit – Money Market	<u>547,514.48</u>
Total	<u>\$ 1,098,770.75</u>

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Deposits (Cont'd)

Based upon GASB criteria, the District considers cash in banks as cash and cash equivalents. At year end the carrying amount (book value) of the District's deposits was \$1,093,022.99 and the bank balance was \$1,098,370.75.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the District's bank balance was considered exposed to custodial risk.

<u>Depository Account</u>	<u>Amount</u>
On Hand	\$ 400.00
Insured – FDIC	500,000.00
Insured – NJGUDPA (N.J.S.A. 17:941)	<u>598,370.75</u>
Total	<u>\$ 1,098,770.75</u>

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fire District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

Investments

New Jersey statutes permit the District to purchase the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a 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 such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. 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 the Treasury for investment by local units;

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments (Cont'd)

6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52: 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the Government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fire District had no investments at December 31, 2017.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2017, the District had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Buildings and Building Improvements	\$ 1,228,666.44	\$	\$		\$ 1,228,666.44
Vehicles	736,509.37				736,509.37
Equipment	36,562.00				36,562.00
Totals at Historical Cost	<u>2,001,737.81</u>				<u>2,001,737.81</u>
Less Accumulated Depreciation For:					
Buildings and Building Improvements	(792,194.49)	(31,433.32)			(823,627.81)
Vehicles	(602,203.59)	(14,137.44)			(616,341.03)
Equipment	(31,485.93)	(4,421.08)			(35,907.01)
Total Accumulated Depreciation	<u>(1,425,884.01)</u>	<u>(49,991.84)</u>			<u>(1,475,875.85)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>575,853.80</u>	<u>(49,991.84)</u>			<u>525,861.96</u>
Government Activities Capital Assets, Net	<u>\$ 575,853.80</u>	<u>\$ (49,991.84)</u>	<u>\$</u>		<u>\$ 525,861.96</u>

NOTE 4: LONG TERM LIABILITIES

Long term liabilities for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Due beyond on year				
Compensated Absences	\$ 160,000.00	\$ 73,956.00	\$	\$ 233,956.00
Net Pension Liability	<u>4,190,097.00</u>		<u>(827,635.00)</u>	<u>3,362,462.00</u>
Total Long Term Liabilities	<u>\$ 4,350,097.00</u>	<u>\$ 73,956.00</u>	<u>\$ (827,635.00)</u>	<u>\$ 3,596,418.00</u>

NOTES TO BASIC FINANCIAL STATEMENTS

Note 5. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period.

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
Total	<u>425,459</u>

Contributing Employers – 1,705.

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 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 an employer 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 PERS, 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.

NOTES TO BASIC FINANCIAL STATEMENTS

Note 5. PENSION PLANS

A. Public Employees' Retirement System (PERS) Cont'd

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

Payrolls and Covered Wages:

For the year ended December 31, 2017, the District's total payroll for all employees was \$937,465.47. Total PERS covered payroll was \$14,688. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan. However, due to systems limitations, covered payroll includes only "pensionable" payroll as reported to PERS.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% for State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The District's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$4,487 and \$4,700, respectively. District contributions are due and payable on April 1st in the calendar year subsequent to the plan year for which the contribution requirements were calculated. District payments to PERS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$760	\$ 735
Amortization of Accrued Liability	<u>3,499</u>	<u>3,742</u>
Total Pension	4,259	4,477
NCGI Premiums	<u>228</u>	<u>223</u>
Total Regular Billing	4,487	4,700
Total PERS Payment	<u>\$4,487</u>	<u>\$4,700</u>

The District recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

Where applicable, Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances. The District is not a participant in the Ch. 19, P.L. 2009 program.

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.

Note 5. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

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 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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 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 tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. 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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the District's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the District does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Local (Non-State) Employer Member Group. The District's proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the District was \$48,371 or 0.0002077951%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2017 measurement date was determined by 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%

Note 5. PENSION PLANS (CONT'D.)A. Public Employees' Retirement System (PERS) (Cont'd.)

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 rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on 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 scale.

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.

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 Investment 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 real rates of return for each major asset class included in the pension plans' 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 equivalents	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 estate	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%

NOTES TO FINANCIAL STATEMENTS

Note 5. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Discount Rate – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the 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 Net Pension Liability – the following presents the net pension liability of PERS participating employers as of June 30, 2017, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease <u>(4.00%)</u>	At current discount rate <u>(5.00%)</u>	At 1% increase <u>(6.00%)</u>
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
District's proportionate share of the net pension liability	<u>\$60,008</u>	<u>\$48,371</u>	<u>\$38,677</u>

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$10,911
2019	9,396
2020	10,931
2021	16,677
2022	<u>8,900</u>
Total	<u>\$56,815</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	43,011
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>40,789</u>
Total	<u>83,847</u>

Contributing Employers – 586.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2017 the District's total payroll for all employees was \$937,465.47. Total PFRS covered payroll was \$744,436. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan. However, due to systems limitations, covered payroll includes only "pensionable" payroll as reported to PFRS.

NOTES TO FINANCIAL STATEMENTS

Note 5. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate was 10.0% in State fiscal year 2017. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The District's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$154,110.00 and \$172,155.00 respectively. District Contributions are due and payable on April 1st in the calendar year subsequent to the plan year for which the contribution requirements were calculated. District payments to PFRS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$51,666	\$ 58,597
Amortization of Accrued Liability	<u>95,577</u>	<u>106,074</u>
Total Pension	147,243	164,671
NCGI Premiums	<u>6,870</u>	<u>7,484</u>
Total Regular Billing	154,110	172,155
Total PERS Payment	<u>\$154,110</u>	<u>\$172,155</u>

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

The following represents the membership tiers for PFRS:

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

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

NOTES TO FINANCIAL STATEMENTS

Note 5. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the District's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the District does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2017, the PFRS reported a net pension liability of \$15,438,066,691 for its Non-State, Non-Special Funding Situation Employer Member Group. The District's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$3,314,091 or 0.0214670099%.

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

Inflation	2.25%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.00%

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

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

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

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 Investment 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.

NOTES TO FINANCIAL STATEMENTS

Note 5. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' 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 equivalents	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 estate	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%

Discount Rate – The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the 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 and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Note 5. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>At 1% Decrease</u> (5.14%)	<u>At current discount rate</u> (6.14%)*	<u>At 1% increase</u> (7.14%)
State	\$ 5,202,348,756	\$ 4,395,743,141	\$ 3,734,560,750
Local	<u>22,619,279,081</u>	<u>17,167,260,198</u>	<u>12,687,806,745</u>
PFRS Plan Total	<u>\$27,821,627,837</u>	<u>\$21,563,003,339</u>	<u>\$16,422,367,495</u>

*- Local Share includes \$1,729,193,507 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$94,623
2019	156,784
2020	61,578
2021	(102,055)
2022	<u>(60,939)</u>
Total	<u>\$149,991</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6: POST-RETIREMENT HEALTH CARE BENEFITS

The Woodbridge Township Fire District No. 2 contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964.

The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating employees/retirees in the SHBP are billed to the District on a monthly basis. The contributions are budgeted by the District annually.

The District contributions to SHBP for the year ended December 31, 2017 were \$16,733.52, which represents the billing for the year.

NOTE 7: COMPENSATED ABSENCES

The District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB16), "Accounting for compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and accumulate for use in future years. Upon the attainment of specified years of service or upon reaching normal retirement age, employees become eligible to receive compensation for unused accumulated sick leave. The specific terms for eligibility and compensation are governed by the various collective bargaining agreements and employment contract.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The District has authorized the enactment of a Length of Service Award Program by Resolution. The LOSAP program was placed on the ballot at the annual election and was approved by the voters. For the year 2017, a budget appropriation of \$15,000.00 was made and accrued for LOSAP benefits.

The authorized LOSAP program has been established in accordance with New Jersey Statute, which can be found beginning at N.J.A.C. 5:30-14.1 and the Internal Revenue Code Section 457. The LOSAP program shall provide for an annual contribution to a tax deferred income account for each eligible volunteer member that satisfies the criteria as adopted by the District and certified accordingly. Points can be earned by attending training courses, drills, meetings and work details, holding elected or appointed positions, participating in department responses and any other miscellaneous activities approved by the chief.

For each of the above categories, maximums are established that require the volunteer to participate in multiple events in order to obtain the required points for attainment of the year of service credit.

All amounts awarded under the LOSAP program remain the asset of the District and the obligation of the District to participating volunteers shall be contractual only. All money shall be subject to the claims of the District's general creditors until distributed to any or all participants. Emergency volunteers are not able to receive a distribution of funds until the completion of a five-year vesting period. If a volunteer fails to vest or terminates association with the District prior to the completion of the five-year vesting period, the funds placed in the LOSAP account on behalf of the volunteer shall revert to the District, not the volunteer.

The District has Selected VALIC as plan provider. The contractor shall post a bond of not less than 100 percent of the amount of funds managed by the contractor and will provide evidence of appropriate liability insurance and errors and omissions insurance. The District shall have a review of the contractor administered LOSAP program as part of the annual audit. The review of the plan shall be made in accordance with the Statement of Standards for Accounting and Review Services issue by the American Institute of Certified Public Accountants. As of December 31, 2017, the District's LOSAP Program had assets of \$234,872.99.

NOTE 9: RISK MANAGEMENT

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

The District, together with other governmental units, is a member of the Central Jersey Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. The Fund's governing District based upon actuarial and budgetary requirements calculates payments to the Fund. Each participant in the Fund is jointly and severally obligated for any deficiency in the amount available to pay all claims. Lines of coverage provided by the Fund include property; boiler and machinery; equipment floater; auto physical; blanket bond; auto liability; general liability; law enforcement liability; public official liability and worker compensation and employer liability.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. FUND BALANCE APPROPRIATED/RESTRICTED/UNASSIGNED

General Fund - Of the \$964,176.17 General Fund balance at December 31, 2017, \$42,279.00 has been assigned - appropriated and included as anticipated revenue for the year ending December 31, 2018, \$568,893.00 is restricted for future capital outlays, and the remaining \$353,004.17 is reported as unassigned.

NOTE 11. RESTITUTION/ACCOUNTS RECEIVABLE

Based upon a court order issued in 2017, an amount of \$22,973.05 is due to the District. This amount has been included on the balance sheet as an accounts receivable at December 31, 2017, fully offset with an allowance account. Subsequent to the balance sheet date, on July 19, 2018, an additional amount of \$14,862.35 was ordered to be paid to the District. It is anticipated this amount will be recorded as an accounts receivable at December 31, 2018, with an offsetting allowance account as well, net of any receipts collected. As per the July 19, 2018 settlement agreement, these amounts are to be paid to the District in even monthly installments on or before July 25, 2025. It is anticipated the District will recognize revenue upon the collection of receipts paid to the District, as per the settlement agreement.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Federal and State Assistance Programs

The District participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017, the District does not believe that any material liabilities will result from such audits.

Contingencies – Pending Litigation

As of the date of this report there is no litigation pending which, if decided adversely to the District would have a material financial impact on the District.

NOTE 13. SUBSEQUENT EVENTS

A review of the District's records revealed no subsequent events to be reported as of the date of this report through October 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

WOODBRIAGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBRIAGE, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS - GOVERNMENTAL FUND)
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	FINAL BUDGET	2017 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Miscellaneous Anticipated Revenues:				
Unrestricted Fund Balance	\$ 45,743.00	\$ 45,743.00	\$ 45,743.00	\$ -
Interest on Investments and Deposits	2,000.00	2,000.00	1,567.07	(432.93)
LEA Rebates/NJ Fire Code	31,478.00	31,478.00	28,098.15	(3,379.85)
Miscellaneous	12,000.00	12,000.00	12,330.55	330.55
Total Miscellaneous Anticipated Revenues	91,221.00	91,221.00	87,738.77	(3,482.23)
Operating Grant Revenue:				
Supplemental Fire Services Act (P.L. 1985, Ch. 295)	2,154.00	2,154.00	4,307.40	2,153.40
Total Operating Grant Revenue	2,154.00	2,154.00	4,307.40	2,153.40
Amount to be Raised by Taxation:				
District Taxes	1,965,165.00	1,965,165.00	1,965,165.00	-
Total Amount to be Raised by Taxation	1,965,165.00	1,965,165.00	1,965,165.00	-
Total Revenues	2,058,540.00	2,058,540.00	2,057,211.17	(1,328.83)
Expenditures:				
Operating Appropriations:				
Administration				
Salaries and Wages				
Commissioners	36,720.00	36,720.00	36,720.00	
Administrator & Clerk	16,500.00	16,500.00	16,500.00	
Total Administration Salaries and Wages	53,220.00	53,220.00	53,220.00	
Operating Appropriations				
Administration				
Other Expenses				
Election	2,500.00	2,500.00	2,292.92	207.08
Office Expenses	5,200.00	8,700.00	8,014.89	685.11
Professional Services	49,900.00	49,790.00	45,040.00	4,750.00
Total Administration Other Expenses	57,600.00	60,990.00	55,347.81	5,642.19
Total Administration (Excluding Fringe)	110,820.00	114,210.00	108,567.81	5,642.19
Costs of Operations and Maintenance				
Salaries and Wages				
Captain	89,004.00	89,005.00	89,004.24	0.76
Full Time Driver	668,763.00	668,764.00	659,718.10	9,045.90
Overtime	100,000.00	105,000.00	104,959.36	40.64
Retirement Reserve	-	10,000.00	-	10,000.00
Fire Marshall/Inspector/FPB Asst,	30,036.00	30,564.00	30,563.77	0.23
Total Salaries and Wages	887,803.00	903,333.00	884,245.47	9,087.53
Fringe Benefits - Total	542,871.00	522,839.00	476,576.54	46,262.46

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBIDGE, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS- GOVERNMENTAL FUND)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>2017</u> <u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Other Expenses				
Supplemental Grant Expense		2,154.00		2,154.00
Firematic Equipment & Gear	36,000.00	36,000.00	30,997.86	5,002.14
Fire Hydrant Services	150,000.00	150,000.00	147,961.08	2,038.92
Utilities	33,725.00	34,100.00	28,237.29	5,862.71
Insurance	46,450.00	43,250.00	42,662.12	587.88
Uniforms	19,500.00	17,500.00	4,071.88	13,428.12
Training and Education	5,300.00	5,300.00	2,860.00	2,440.00
Maintenance & Repairs & Fuel	51,654.00	56,050.00	46,194.90	9,855.10
Joint Purchasing Agreements (911 Dispatch)	85,243.00	84,743.00	84,743.00	-
Township Radio Maintenance	20,000.00	20,000.00	20,000.00	
Other Miscellaneous	<u>5,174.00</u>	<u>4,361.00</u>	<u>3,233.99</u>	<u>1,127.01</u>
 Total Costs of Operations and Maintenance Other Expenses	 <u>453,046.00</u>	 <u>453,458.00</u>	 <u>410,962.12</u>	 <u>42,495.88</u>
 Total Operating Appropriations	 <u>1,883,720.00</u>	 <u>1,879,630.00</u>	 <u>1,771,784.13</u>	 <u>97,845.87</u>
 First Aid Squad				
First Aid Support	<u>9,000.00</u>	<u>9,700.00</u>	<u>5,002.01</u>	<u>4,697.99</u>
 Total First Aid Squad	 <u>9,000.00</u>	 <u>9,700.00</u>	 <u>5,002.01</u>	 <u>4,697.99</u>
 Length of Service Award Program (LOSAP)	 <u>15,000.00</u>	 <u>15,000.00</u>	 <u>4,500.00</u>	 <u>10,500.00</u>
 Capital Appropriations:				
Reserve for Future Capital Outlays	<u>40,000.00</u>	<u>40,000.00</u>	<u>40,000.00</u>	<u>-</u>
 Total Expenditures	 \$ <u>2,058,540.00</u>	 \$ <u>2,058,540.00</u>	 \$ <u>1,929,853.95</u>	 \$ <u>118,686.05</u>
 Budgetary Revenues Over Expenses			 \$ <u>127,357.22</u>	 <u>117,357.22</u>
 <u>Reconciliation of Budgetary Basis to GAAP Reporting Basis:</u>				
Budgetary Revenues Over Expenses			\$ 127,357.22	
 Adjustments to Budgetary Basis:				
Fund Balance Appropriated			(45,743.00)	
Joint Board Agreement			12,000.00	
Accrued Expense			10,000.00	
Capital Outlay Reserve			<u>40,000.00</u>	
 Total Adjustments			 <u>16,257.00</u>	
 Excess of Revenues Over Expenditures (Exhibit - A-2)			 \$ <u>143,614.22</u>	

OTHER SUPPLEMENTARY INFORMATION – PART III

WOODBRIDGE TOWNSHIP FIRE DISTRICT NO. 2
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY
POLICE AND FIREMEN RETIREMENT SYSTEM

(Non-State, Non-Special Funding Situation Employer Member Group)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Non-State, Non-Special Funding Situation Employer Group Net Pension Liability attributable to the District	0.018959%	0.021114%	0.021467%
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group	\$3,157,941	\$4,033,408	\$3,314,091
District's Covered-Employee Payroll	\$677,052	\$696,430	\$744,436
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group as a percentage of the District's Covered-Employee Payroll	466.43%	579.15%	445.18%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	52.84%	48.55%	58.60%

* Amounts presented for each fiscal year were determined as of June 30.

Note: Percentages shown are Plan-wide, and include NPL and PFNP data that include employees of the State of New Jersey.

WOODBRIDGE TOWNSHIP FIRE DISTRICT NO. 2
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
POLICE AND FIREMEN RETIREMENT SYSTEM
 (Non-State, Non-Special Funding Situation Employer Member Group)

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 148,773	\$ 154,110	\$ 172,155
Contribution in Relation to Contractually Required Contribution	<u>\$ (148,773)</u>	<u>\$ (154,110)</u>	<u>\$ (172,155)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 667,052	\$ 696,430	\$ 744,436
Contributions as a percentage of Covered Employee Payroll	22.30%	22.13%	23.13%

* Amounts presented for each fiscal year were determined as of June 30.

WOODBRIDGE TOWNSHIP FIRE DISTRICT NO. 2
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's Proportion Share of the Net Pension Liability	0.000522%	0.000529%	0.000208%
District's Proportion Share of the Net Pension Liability	\$117,158	\$156,689	\$48,371
District's Covered-Employee Payroll	\$ 36,400	\$ 31,200	\$ 14,688
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	321.86%	502.21%	329.32%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	47.93%	40.14%	48.10%

* Amounts presented for each fiscal year were determined as of June 30.

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 2
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 4,471	\$ 4,487	\$ 4,700
Contribution in Relation to Contractually Required Contribution	<u>\$ (4,471)</u>	<u>\$ (4,487)</u>	<u>\$ (4,700)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 36,400	\$ 31,200	\$ 14,688
Contributions as a percentage of Covered Employee Payroll	12.28%	14.38%	32.00%

* Amounts presented for each fiscal year were determined as of June 30.

WOODBRIIDGE TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MIDDLESEX, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
DECEMBER 31, 2017

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2017, dated March 29, 2018. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

PERS

Changes in benefit terms - None

Changes in assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

PFRS

Changes in benefit terms – In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

Changes in assumptions - For 2017, the discount rate changed to 6.14% and the long-term rate of returned changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

SUPPLEMENTARY SCHEDULES – PART IV

WOODBRIAGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBRIAGE, NEW JERSEY

SUPPLEMENTAL COMBINING SCHEDULE OF CAPITAL PROJECTS FUND
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2017

	<u>FUTURE CAPITAL OUTLAYS</u>	<u>TOTAL</u>
Revenues:		
Amount to be Raised by Taxation	\$ <u>40,000.00</u>	\$ <u>40,000.00</u>
Total Revenues	<u>40,000.00</u>	<u>40,000.00</u>
Expenditures:		
Capital Outlay	<u> </u>	<u> </u>
Total Expenditures	<u> </u>	<u> </u>
Excess of Revenues Over (Under) Expenditures	<u>40,000.00</u>	<u>40,000.00</u>
Other Financing Sources (Uses):		
Operating Transfers In		
Operating Transfers Out	<u>(40,000.00)</u>	<u>(40,000.00)</u>
Total Other Financing Sources (Uses)	<u>(40,000.00)</u>	<u>(40,000.00)</u>
Excess/(Deficit)		
Fund Balances at Beginning of Year	<u> </u>	<u> </u>
Fund Balances at End of Year	\$ <u> </u>	\$ <u> </u>

WOODBRIAGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBRIAGE, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF STATISTICAL INFORMATION

Property Tax Levies

The following is a tabulation of District Assessed Valuations, Tax Levies and Property Tax Rates Per \$100 of Assessed Valuations for current and the preceding two years:

<u>Year Ended</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rate Per \$100 Assessment</u>
December 31, 2017	\$ 215,902,300	\$ 1,965,165	\$0.910
December 31, 2016	\$ 214,541,300	\$ 1,891,655	\$0.882
December 31, 2015	\$ 217,305,200	\$ 1,818,308	\$0.837

Assigned/Unassigned Fund Balance

The following is a tabulation of District Unassigned and Assigned Fund Balance(s) at year end amount included as anticipated revenue in the subsequent year budget for the current and the preceding two years:

<u>Year Ended</u>	<u>Unassigned General Fund Balance</u>	<u>Assigned Utilized Subsequent Budget</u>
December 31, 2017	\$ 353,004.17	\$ 42,279.00
December 31, 2016	\$ 245,925.95	\$ 45,743.00
December 31, 2015	\$ 173,262.09	\$ 49,917.00

WOODBRIAGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBRIAGE, NEW JERSEY

OFFICIALS IN OFFICE
AS AT DECEMBER 31, 2017

The following officials were in office as at December 31, 2017:

<u>Board of Fire Commissioners:</u>	<u>Title</u>
Kenneth Galvach	Commissioner
Lewis Huber	Commissioner
Louis V. Nardiello	Commissioner
Robert J. Santorelli	Commissioner
Joseph Zullo	Commissioner
 <u>Other Officials:</u>	
Andrew Chambarry, Esq.	District Attorney

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 2
WOODBIDGE, NEW JERSEY

GENERAL COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Woodbridge Township Fire District No. 2, Woodbridge, New Jersey, for the year ended December 31, 2017 has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Woodbridge Township Fire District No. 2, Middlesex County, New Jersey.

The audit did not and could not determine the character of services rendered for which payment has been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of the Woodbridge Township Fire District No. 2, Woodbridge, New Jersey as of and for the year ended December 31, 2017 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A deficiency 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 significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or 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.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd.)

With respect to the reporting of internal control matters, Statement on Auditing Standards No. 115 requires that only a significant deficiencies and material weaknesses need be reported in writing to management and those charged with governance.

OTHER MATTERS

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

N.J.S.A. 40A:11-4 states "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of 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 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 of \$17,500.00 except by contract or agreement."

The Commissioners of the Woodbridge Township Fire District No. 2 have the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 during the year. Where question arises as to whether any contract or agreement might result in violation of this statute, the District Counsel's opinion should be sought before a commitment is made.

Purchases were also made through state approved vendors for various items available, which were permitted under the status.

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.

Examination of expenditures revealed no individual payments in excess of \$17,500.00 thereafter "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.

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

Any interpretation as to possible violation of N.J.S.A. 40A:11 and N.J.A.C. 5:30-14 would be in the province of the General Counsel.

We suggest that the District review the amendments to the Local Public Contracts Law and determine the impact of the comprehensive amendments with regard to the District, including an analysis of the effect of requiring the position of a "Qualified Purchasing Agent" on a cost benefit basis or alternate approach.

GENERAL COMMENTS

OTHER MATTERS (CONT'D)

Insurance Coverage

Insurance policies in force are on file at the Fire District office. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the District.

Compliance with New Jersey Administrative Code

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as “technical accounting directives”, as codified in the New Jersey Administrative Code, as follows:

N.J.A.C. 5:30 – 5.2 - Encumbrance Accounting: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. Our review indicated that the encumbrance system utilized by the District was operational to the extent necessary to assure effective budgetary control and accountability.

N.J.A.C. 5:30 – 5.6 - Fixed Asset Accounting: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The District is in compliance with this directive.

N.J.A.C. 5:30 – 5.7 - General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the General Fund. The District is in compliance with this directive.

Payment of Claims

Claims were examined on a test basis for the year under review and no exceptions were noted for items tested.

Classification of Expenditures

The coding of expenditures was tested for proper classification as part of our test of transactions of randomly selected expenditure line items. No exceptions were noted with respect to the classification of expenses for items tested.

RECOMMENDATION(S)

NONE

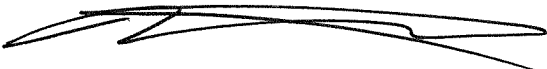
* * * * *

ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials and employees of the District, and the courtesies extended to us were greatly appreciated.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA
No. 406