

**FIRE DISTRICT NO. 1  
OF THE TOWNSHIP OF WASHINGTON**

**Financial Statements**

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Table of Contents**  
**For the year ended December 31, 2017**  
**(With Independent Auditor's Report thereon)**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Management's Discussion and Analysis	6-14
District Wide Statement of Net Position	15
District Wide Statement of Activities	16
Governmental Funds Balance Sheet	17
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	18-19
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	20-21
Fiduciary Funds Statement of Net Position	22
Fiduciary Funds Statement of Changes in Net Position	23
Notes to Financial Statements	24-62
<b>Required Supplementary Information, Part I:</b>	
Budgetary Comparison Schedule	63-64
Notes to the required supplementary information Budget-to-GAAP Reconciliation	65

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Table of Contents (continued)**  
**For the year ended December 31, 2017**  
**(With Independent Auditor's Report thereon)**

CONTENTS (continued)

**Required Supplementary Information, Part II:**

Schedule of the District's Proportionate Share of the Net Pension Liability – PERS	66
Schedule of District Contributions – PERS	67
Schedule of the District's Proportionate Share of the Net Pension Liability – PFRS	68
Schedule of District Contributions – PFRS	69
Changes in the Net Pension Liability and Related Ratios – LOSAP	70
Notes to the Required Supplementary Information	71

**Supplementary Information:**

Capital Projects Fund Statement of Project Expenditures	72
Long-Term Debt Schedule of Serial Bonds Payable	73
Long-Term Debt Schedule of Obligations under Capital Leases	74
General Comments and Recommendations	75-77



## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 1 of the Township of Washington  
County of Gloucester  
Sewell, New Jersey 08080

### Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Washington, County of Gloucester, State of New Jersey, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

## **Emphasis of Matter**

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, during the year ended December 31, 2017 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of Washington's basic financial statements. The capital projects fund statement of project expenditures, long-term debt schedule of serial bonds payable and long-term debt schedule of obligations under capital leases, as listed on the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statements.

The capital projects fund statement of project expenditures, long-term debt schedule of serial bonds payable and long-term debt schedule of obligations under capital leases are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the capital projects fund statement of project expenditures, long-term debt schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2018 on our consideration of the Fire District No. 1 of the Township of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 1 of the Township of Washington's internal control over financial reporting and compliance.

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

August 13, 2018  
Toms River, New Jersey



HOLMAN | FRENIA  
ALLISON, P.C.

*Certified Public Accountants & Consultants*

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

[www.hfacpas.com](http://www.hfacpas.com)

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

Board of Fire Commissioners  
Fire District No. 1 of the Township of Washington  
County of Gloucester  
Sewell, New Jersey 08080

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund, and the aggregate remaining fund information of Fire District No. 1 of the Township of Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the Township of Washington's basic financial statements, and have issued our report thereon dated August 13, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying General Comments and Recommendations to be material weaknesses. [2017-001, 2017-002, 2017-004]

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of Washington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs State of New Jersey and which are described in the accompanying General Comments and Recommendations. [2017-001, 2017-002, 2017-003, 2017-004]

### **Fire District No. 1 of the Township of Washington's Response to Findings**

Fire District No. 1 of the Township of Washington's response to the findings identified in our audit is described in the accompanying general comments section. Fire District No. 1 of the Township of Washington's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 1 of the Township of Washington's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 1 of the Township of Washington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

August 13, 2018  
Toms River, New Jersey

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

As management of Fire District No. 1 of the Township of Washington, we offer readers of the Fire District No. 1 of the Township of Washington's financial statements this narrative overview and analysis of the financial activities of the Fire District No. 1 of the Township of Washington for the year ended December 31, 2017. The intent of this narrative is to look at Fire District No. 1 of the Township of Washington's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 15. Notes to the financial statements will provide the reader with additional useful information and they begin on page 24.

**FINANCIAL HIGHLIGHTS**

- The liabilities of the District exceeded its assets at December 31, 2017 by approximately \$3.97 million. In 2016 the excess of liabilities over assets was approximately \$3.72 million. This is an increase of approximately \$252,600.
- During 2017 Fire District No. 1 of the Township of Washington operated at a deficit of approximately \$252,600. In 2016 the district operated at a deficit of approximately \$3.04 million. This is an increase the deficit of approximately \$2.79 million.
- The District increased their liabilities by approximately \$822,900 in 2017, and increased their total assets by \$570,200.
- As described in Note 18 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not Within the Scope of GASB Statement No. 68* for the year ended December 31, 2017. The adoption of this principle resulted in a restatement of the District's Governmental Activities net position opening fund balance as of January 1, 2017 in the amount of \$2,459,780 and a restatement of the District's opening General Fund fund balance in the amount of \$4,167,636 as indicated in Note 18 to the financial statements. Prior year balances reflected in the MD&A have been updated for comparison purposes, to reflect the change where indicated.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. Fire District No. 1 of the Township of Washington's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

**Reporting on the District as a Whole**

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

The Statement of Net Position presents information on all the assets and liabilities of Fire District No. 1 of the Township of Washington. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the

financial health of the District. The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Fire District No. 1 of the Township of Washington has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Fire District No. 1 of the Township of Washington provides firefighting services to the citizens of Washington Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Fire District No. 1 of the Township of Washington uses fund accounting to document compliance with finance-related legal matters. Fire District No. 1 of the Township of Washington has two types of funds, which are the governmental fund and fiduciary funds.

### **Governmental Funds**

Fire District No. 1 of the Township of Washington's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Fire District No. 1 of the Township of Washington maintains three separate government funds, the General Fund, Capital Projects Fund and the Debt Service Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital fund.

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

As required by N.J.S.A. 40A:14:78-3, Fire District No. 1 of the Township of Washington adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

### **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. The District has one type of fiduciary fund, which is the Unemployment Compensation which is used for the payment of unemployment claims.

**Notes to Financial Statements**

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

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Fire District No. 1 of the Township of Washington’s net position is a useful indicator of the District’s financial condition. At the end of 2017, the District’s liabilities exceeded its assets by approximately \$3.97 million. The largest portion of Fire District No. 1 of the Township of Washington’s net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 1 of the Township of Washington’s investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

**Statement of Net Position**

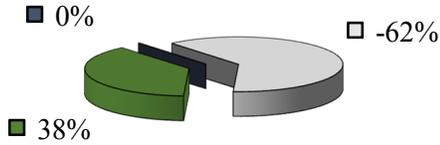
FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON  
NET POSITION  
DECEMBER 31, 2017

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 9,127,454	\$ 8,837,302	290,152	3.3%
Capital assets	<u>10,492,957</u>	<u>10,212,880</u>	280,077	2.7%
Total assets	19,620,411	19,050,182	570,229	3.0%
Total liabilities	<u>(23,591,281)</u>	<u>(22,768,405)</u>	822,876	3.6%
Net position	<u>\$ (3,970,870)</u>	<u>\$ (3,718,223)</u>	252,647	6.8%

**Analysis of net position**

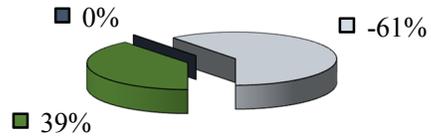
Invested in capital assets, net of related debt	\$ 6,356,063	\$ 6,908,960	(552,897)	(8.0%)
Restricted for:				
Capital projects	19,079	19,079	-	0.0%
Unrestricted	<u>(10,346,012)</u>	<u>(10,646,262)</u>	300,250	2.8%
Total net position	<u>\$ (3,970,870)</u>	<u>\$ (3,718,223)</u>	252,647	6.8%

### 2017 Net Position



- Invested in Net Assets
- Restrict for Capital
- Unrestricted

### 2016 Net Position



- Invested in Net Assets
- Restrict for Capital
- Unrestricted

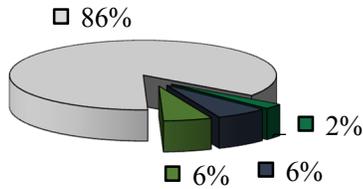
The net position of Fire District No. 1 of the Township of Washington increased approximately \$252,600 as a result of the current year deficit. The District added approximately \$1.2 million of capital assets during the year. In 2017 the capital assets increased by approximately 280,000 after depreciation expense.

### Governmental Activities

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

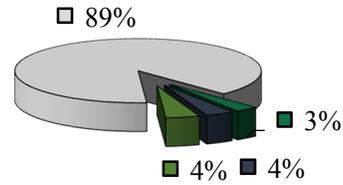
	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	\$ 387,444	\$ 410,418	(22,974)	(5.6%)
Cost of operations and maintenance	5,649,943	8,243,030	(2,593,087)	(31.5%)
Operating appropriations offset with revenues	159,234	275,382	(116,148)	(42.2%)
Length of service award contribution	<u>416,446</u>	<u>340,636</u>	75,810	22.3%
Total program expenses	<u>6,613,067</u>	<u>9,269,466</u>	(2,656,399)	(28.7%)

### 2017 Program Expenses



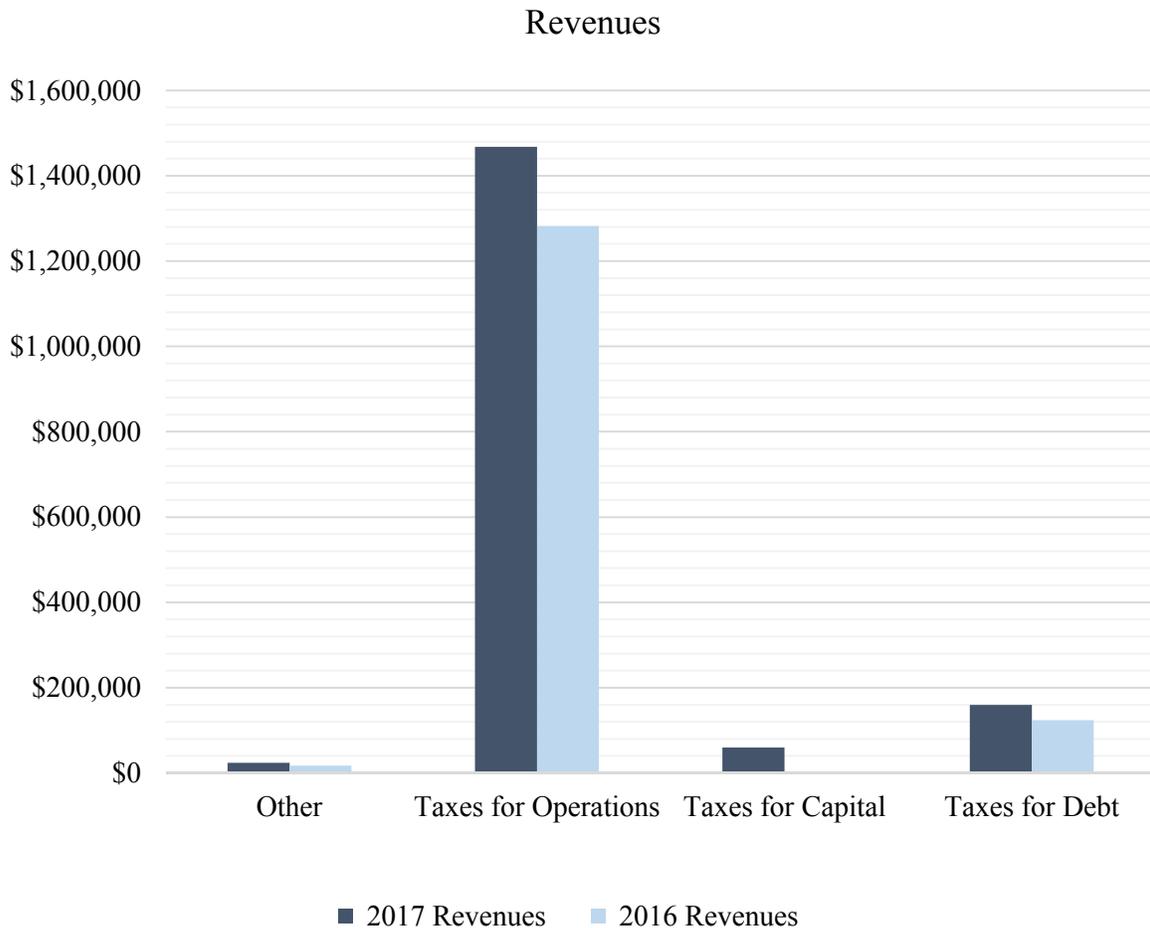
- Administrative
- Operations
- Operating Appropriations Offset with Revenues
- LOSAP

### 2016 Program Expenses



- Administrative
- Operations
- Operating Appropriations Offset with Revenues
- LOSAP

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
<b>Revenues</b>				
<b>Program revenues</b>				
Charges for services	<u>155,176</u>	<u>153,774</u>	1,402	0.9%
Total program revenues	<u>155,176</u>	<u>153,774</u>	1,402	0.9%
Net program expenses	<u>6,457,891</u>	<u>9,115,692</u>	(2,657,801)	(29.2%)
<b>General revenues</b>				
<b>Property taxes levied for:</b>				
General purposes	4,915,548	5,135,443	(219,895)	(4.3%)
Debt service	<u>977,687</u>	<u>762,273</u>	215,414	28.3%
Total property taxes levied	<u>5,893,235</u>	<u>5,897,716</u>	(4,481)	(0.1%)
Other revenue	295,590	163,302	132,288	81.0%
Operating grant revenue	<u>16,419</u>	<u>16,419</u>	-	
Total general revenues	<u>6,205,244</u>	<u>6,077,437</u>	127,807	2.1%
Increase (decrease) in net position	(252,647)	(3,038,255)	2,785,608	91.7%
Net position, January 1,	<u>(3,718,223)</u>	<u>(679,968)</u>	(3,038,255)	(446.8%)
Net position, December 31	<u>\$ (3,970,870)</u>	<u>\$ (3,718,223)</u>	(252,647)	6.8%



Property tax revenue constituted 93% of the total governmental activities revenues received by Fire District No. 1 of the Township of Washington in 2017. In 2016 the property tax revenue also constituted 95% of total revenues.

The Cost of Operations & Maintenance was 85% and 89% of the District’s total expenses in 2017 and 2016 respectively. Administration expenses equaled 6% and 4% of the total expenses in 2017 and 2016 respectively.

### **FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

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

#### **Governmental Funds**

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

As of December 31, 2017, the combined balance of the governmental cash funds of Fire District No. 1 of the Township of Washington was approximately \$2.73 million. This balance is approximately \$598,000 higher than last year's combined governmental funds balance. The increase is due primarily to the surplus in the operations and capital expenditures.

The combined balance of the governmental funds of Fire District No. 1 of the Township of Washington was approximately \$6.25 million. Unreserved fund balance amounted to approximately \$1.35 million of that total. Funds of \$360,000 have been designated for subsequent year's expenditures.

The general fund is the main operating fund of Fire District No. 1 of the Township of Washington. At the end of 2017, the total fund balance of the general fund was approximately \$6.23 million. Of this balance, approximately \$1.35 million of it was unreserved.

During 2017 the general fund balance of Fire District No. 1 of the Township of Washington increased by approximately \$4.40 million. The primary reasons for this increase are as follows:

- The Board had revenues in excess of revenues of approximately \$235,700
- The Board had a prior period adjustment from restating LOSAP funds of approximately \$4.17 million.

At the end of 2017, the District had a capital projects fund balance of approximately \$19,100.

### **General Fund Budgetary Highlights**

The 2017 Budget had a surplus in revenues and did not require the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

The District had total budgeted revenues in excess of actual revenues of approximately \$121,100 in 2017. The Board anticipates in 2017 that actual revenues will exceed the budgeted revenues.

Overall, the District spent approximately \$289,000 less than originally anticipated in the operating budget for 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2017 Fire District No. 1 of the Township of Washington had invested in capital assets for government activities of approximately \$10,492,957 (net of accumulated depreciation). Capital assets consist of land, apparatus in progress, firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$1.2 million of apparatus and equipment in 2017.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2017

	2017	2016	\$ Increase (Decrease)
Capital assets			
Land	\$ 590,015	\$ 590,015	-
Apparatus in progress	916,952	-	916,952
Buildings and improvements	11,580,052	11,551,845	28,207
Furniture and equipment	3,779,047	3,635,341	143,706
Vehicles and apparatus	<u>5,801,756</u>	<u>5,980,100</u>	(178,344)
Total capital assets	22,667,822	21,757,301	910,521
Accumulated depreciation	<u>(12,174,865)</u>	<u>(11,544,421)</u>	(630,444)
Total capital assets, net	<u>\$ 10,492,957</u>	<u>\$ 10,212,880</u>	280,077

Additional information on Fire District No. 1 of the Township of Washington's capital assets can be found in Note 6 in the notes to the financial statements.

### LONG-TERM OBLIGATIONS

As of December 31, 2017 the Fire District No. 1 of the Township of Washington had serial bonds payable outstanding in the amount of approximately \$1.27 million, of which \$270,000 is due within one year. The

Additionally, as of December 31, 2017 the Fire District No. 1 of the Township of Washington had capital leases outstanding in the amount of approximately \$2.88 million, of which approximately \$533,700 is due within one year. The District does not anticipate additional debt for 2018.

Furthermore, as of December 31, 2017 the Fire District No. 1 of the Township of Washington has a length of service awards program liability of approximately \$9.11 million. Additional information on the District's LOSAP Program can be found in Note 10 in the notes to the financial statements.

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

In 2017, Fire District No. 1 of the Township of Washington was able to cover all its appropriations through the fire tax levy and other revenues. In 2017 the fire tax levy amounted to 93% of total revenue collected.

Fire District No. 1 of the Township of Washington adopted their 2018 budget on January 4, 2018. The voters subsequently voted to approve the budget at the February election.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Fire District No. 1 of the Township of Washington's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Fire District No. 1 of the Township of Washington, P.O. Box 653, Turnersville, New Jersey 08012.

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

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents (Note 3)	\$ 2,731,064
Prepaid insurance	4,311
Due from others (Note 5)	48,906
Other deposits	142,000
Other receivables	12,905
Total current assets	2,939,186
<b>Noncurrent asset:</b>	
Investment in length of service awards program (Note 4)	4,524,348
Total noncurrent assets	4,524,348
<b>Capital assets, net:</b>	
Nondepreciable (Note 6)	1,506,967
Depreciable (Note 6)	8,985,990
Total capital assets	10,492,957
Total assets	17,956,491
<b>Deferred outflows of resources:</b>	
Deferred outflows related to pensions (Note 9)	1,399,194
Deferred outflows related investment in length of service awards program (Note 10)	264,726
Total deferred outflow of resources	1,663,920
Total assets and deferred outflow of resources	\$ 19,620,411
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 272,324
Accrued expenses	61,006
Accrued interest payable	57,593
Compensated absences, current portion (Note 7)	96,610
Unamortized bond premium, net, current portion (Note 7)	2,615
Capital lease payable (Note 7)	533,678
Bonds payable (Note 7)	270,000
Pensions payable	415,504
Total current liabilities	1,709,330
<b>Noncurrent liabilities:</b>	
Capital leases payable (Note 7)	2,343,216
Bonds payable (Note 7)	990,000
Compensated absences (Note 7)	289,831
Net pension liability (Note 7)	7,400,831
Net length of service awards program liability (Note 7)	9,113,554
Total noncurrent liabilities	20,137,432
Total liabilities	21,846,762
<b>Deferred inflows of resources:</b>	
Deferred inflows related to pensions (Note 9)	1,740,504
Bond and loan premium, net of accumulated amortization (Note 7)	4,015
Total deferred inflow of resources	1,744,519
Total liabilities and deferred inflow of resources	23,591,281
<b>Net position:</b>	
Investments in capital assets, net of related debt	6,356,063
<b>Restricted for:</b>	
Capital	19,079
Unrestricted (Note 17)	(10,346,012)
Total net position	(3,970,870)
Total liabilities, deferred inflow of resources and net position	\$ 19,620,411

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

	<u>Expenses</u>	<u>Charges for Services</u>	<b>Governmental Activities</b> <u>Totals</u>
Government activities:			
Operation appropriations:			
Administration	\$ 387,444	\$ -	\$ 387,444
Costs of operations and maintenance	5,649,943	155,176	5,494,767
Operating appropriations offset with revenues	159,234	-	159,234
Length of service award contribution	416,446	-	416,446
Total government activities	6,613,067	155,176	6,457,891
General revenues:			
Miscellaneous revenue			295,590
Operating grant revenues			16,419
Amount raised by taxation			5,893,235
Total general revenues			6,205,244
Change in net position			(252,647)
Net position, January 1, unadjusted			(1,258,443)
Prior period adjustment (Note 18)			(2,459,780)
Net position, January 1, restated			(3,718,223)
Net position, December 31			\$ (3,970,870)

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,951,231	\$ 779,833	\$ -	\$ 2,731,064
Due from others	48,906	-	-	48,906
Other deposits	142,000	-	-	142,000
Other receivables	12,905	19,079	-	31,984
Total current assets	<u>2,155,042</u>	<u>798,912</u>	<u>-</u>	<u>2,953,954</u>
<b>Noncurrent assets:</b>				
Investment in length of service awards program	<u>4,524,348</u>	<u>-</u>	<u>-</u>	<u>4,524,348</u>
Total noncurrent assets	<u>4,524,348</u>	<u>-</u>	<u>-</u>	<u>4,524,348</u>
Total assets	<u>\$ 6,679,390</u>	<u>\$ 798,912</u>	<u>\$ -</u>	<u>\$ 7,478,302</u>
<b>Liabilities, equity and other credits:</b>				
Accounts payable	\$ 272,324	\$ -	\$ -	\$ 272,324
Accrued expenses	157,616	-	-	157,616
Other payables	19,079	-	-	19,079
Unearned revenue	-	779,833	-	779,833
Total liabilities	<u>449,019</u>	<u>779,833</u>	<u>-</u>	<u>1,228,852</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Capital	-	19,079	-	19,079
Length of service awards program	4,524,348	-	-	4,524,348
<b>Assigned for:</b>				
Subsequent year's expenditures	360,000	-	-	360,000
<b>Unassigned, reported in:</b>				
General fund	<u>1,346,023</u>	<u>-</u>	<u>-</u>	<u>1,346,023</u>
Total fund balance	<u>6,230,371</u>	<u>19,079</u>	<u>-</u>	<u>6,249,450</u>
Total liabilities and fund balance	<u>\$ 6,679,390</u>	<u>\$ 798,912</u>	<u>\$ -</u>	

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

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

4,311

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$22,667,822 and the accumulated depreciation is \$12,174,865.

10,492,957

Accrued interest payable and PERS and PFRS pension payable are not recorded in the fund financial statements due to the fact that payable is not due in the period.

(473,097)

Bond premiums are reported in the governmental funds as revenue in the year the bonds are issued. The bond premium cost is \$207,215 and the accumulated amortization is \$200,585

(6,630)

Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.

(76,584)

Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(20,161,277)

Net assets of governmental activities

\$ (3,970,870)

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 6,688	\$ -	\$ -	\$ 6,688
Investment income - length of service awards program	126,534	-	-	126,534
Other revenue	288,902	-	-	288,902
Total miscellaneous revenues	<u>422,124</u>	<u>-</u>	<u>-</u>	<u>422,124</u>
Operating grant revenues:				
Supplemental fire service act	16,419	-	-	16,419
Total operating grant revenue	<u>16,419</u>	<u>-</u>	<u>-</u>	<u>16,419</u>
Miscellaneous revenues offset with appropriations:				
Uniform Fire Safety Act revenues:				
Annual registration fee	141,008	-	-	141,008
Penalties and fines	14,078	-	-	14,078
Other revenues	90	-	-	90
Total Uniform Fire Safety Act revenues	<u>155,176</u>	<u>-</u>	<u>-</u>	<u>155,176</u>
Total miscellaneous revenues offset with appropriations	<u>155,176</u>	<u>-</u>	<u>-</u>	<u>155,176</u>
Total revenues	<u>593,719</u>	<u>-</u>	<u>-</u>	<u>593,719</u>
Amount raised by taxation to support the district budget	4,915,548	-	977,687	5,893,235
Total anticipated revenues	<u>5,509,267</u>	<u>-</u>	<u>977,687</u>	<u>6,486,954</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	160,928	-	-	160,928
Fringe benefits	90,610	-	-	90,610
Other expenditures:				
Professional fees	85,664	-	-	85,664
Elections	2,537	-	-	2,537
Insurance	7,390	-	-	7,390
Membership dues/software/subscriptions	31,363	-	-	31,363
Office supplies	8,361	-	-	8,361
Reimbursement for losses/expenses	591	-	-	591
Total administration	<u>387,444</u>	<u>-</u>	<u>-</u>	<u>387,444</u>

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Cost of operations and maintenance:				
Salaries and wages	1,696,257	-	-	1,696,257
Fringe benefits	1,249,375	-	-	1,249,375
Other expenditures:				
Insurance	92,518	-	-	92,518
Advertising	7,373	-	-	7,373
Professional services	90,580	-	-	90,580
Rental charges	110,257	-	-	110,257
Supplies	40,420	-	-	40,420
Training and education	132,230	-	-	132,230
Uniforms	136,899	-	-	136,899
Utilities	232,362	-	-	232,362
Other rentals	70,549	-	-	70,549
SFSG expenses	14,654	-	-	14,654
Contingencies	500	-	-	500
Maintenance and repairs	364,070	-	-	364,070
Other non-bondable assets	302,538	-	-	302,538
Total cost of operations and maintenance	<u>4,540,582</u>	<u>-</u>	<u>-</u>	<u>4,540,582</u>
Operating appropriations offset with revenues:				
Salaries and wages	115,388	-	-	115,388
Fringe benefits	43,757	-	-	43,757
Other expenditures	89	-	-	89
Total operating appropriations offset with revenues	<u>159,234</u>	<u>-</u>	<u>-</u>	<u>159,234</u>
Length of service awards program:				
Administrative fees	6,045	-	-	6,045
Group life insurance premium	10,776	-	-	10,776
Participant withdrawals	169,447	-	-	169,447
Total length of service awards program	<u>186,268</u>	<u>-</u>	<u>-</u>	<u>186,268</u>
Capital appropriations	<u>-</u>	<u>916,952</u>	<u>-</u>	<u>916,952</u>
Debt service for capital appropriations:				
Bond principal	-	-	400,000	400,000
Interest on bonds	-	-	75,150	75,150
Capital leases	-	-	463,811	463,811
Interest on capital leases	-	-	38,726	38,726
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>977,687</u>	<u>977,687</u>
Total operating appropriations	<u>5,087,260</u>	<u>-</u>	<u>-</u>	<u>5,087,260</u>
Total governmental expenditures	<u>5,273,528</u>	<u>916,952</u>	<u>977,687</u>	<u>7,168,167</u>
Other financing sources and uses:				
Proceeds from capital lease	<u>-</u>	<u>916,952</u>	<u>-</u>	<u>916,952</u>
Total other financing sources and uses:	<u>-</u>	<u>916,952</u>	<u>-</u>	<u>916,952</u>
Excess of revenues over expenditures	235,739	-	-	235,739
Fund balance, January 1, unadjusted	1,826,996	19,079	-	1,846,075
Prior period adjustment (Note 18)	4,167,636	-	-	4,167,636
Fund balance, January 1, adjusted	<u>5,994,632</u>	<u>19,079</u>	<u>-</u>	<u>6,013,711</u>
Fund balance, December 31	<u>\$ 6,230,371</u>	<u>\$ 19,079</u>	<u>\$ -</u>	<u>\$ 6,249,450</u>

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

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 235,739

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

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

Capital Outlays-Capital Projects Fund	916,952	
Capital Outlays-General Fund	281,600	
Gain on disposal of fixed assets	(6,576)	
Depreciation expense	<u>(911,899)</u>	280,077

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

Prior year	(104,838)	
Current year	<u>4,311</u>	(100,527)

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

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

Length of service awards program expense	(13,367)	
District contribution to length of service awards program	(416,446)	
Appreciation in fair value of investments	(126,534)	
Administrative fees	6,045	
Group life insurance premiums	10,776	
Participant withdrawals	<u>169,447</u>	(370,079)

Bond premiums are reported in the governmental funds as revenue in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.

3,852

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

400,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

463,811

Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	52,775	
Current year	<u>(57,593)</u>	(4,818)

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

The proceeds from the issuance of capital leases provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position. (916,952)

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

Pension expense - PERS contribution - 2017	27,789	
Pension expense - PFRS contribution - 2017	582,617	
Pension expense	(817,625)	(207,219)

In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in sick leave paid was \$36,531. (36,531)

Changes in net position of governmental activities \$ (252,647)

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

	<u>Unemployment Compensation</u>	<u>Total</u>
Assets:		
Cash	\$ 16,442	\$ 16,442
Total assets	<u>\$ 16,442</u>	<u>\$ 16,442</u>
Liabilities:		
Other payables	\$ 12,905	\$ 12,905
Total liabilities	<u>12,905</u>	<u>12,905</u>
Net position:		
Reserved:		
Unemployment claims	<u>3,537</u>	<u>3,537</u>
Total net position	<u>3,537</u>	<u>3,537</u>
Total liabilities and net position	<u>\$ 16,442</u>	<u>\$ 16,442</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the year ended December 31, 2017**

	<b><u>Unemployment Compensation</u></b>	<b><u>Total</u></b>
Revenues and other financing sources:		
District contributions	\$ 2,639	\$ 2,639
Total contributions	<u>2,639</u>	<u>2,639</u>
Investment earnings:		
Interest	36	36
Total investment earnings	<u>36</u>	<u>36</u>
Total revenues and other financing sources	<u>2,675</u>	<u>2,675</u>
Expenditures:		
Unemployment claims	2,970	2,970
Total expenditures	<u>2,970</u>	<u>2,970</u>
Excess of revenues and other financing sources over expenditures	(295)	(295)
Net position, January 1	<u>3,832</u>	<u>3,832</u>
Net position, December 31	<u><u>\$ 3,537</u></u>	<u><u>\$ 3,537</u></u>

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

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 1 of the Township of Washington is a political subdivision of the Township of Washington, County of Gloucester, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the first Thursday of March.

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

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

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

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

**B. District Officials**

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

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Larry Kennie	2018
Robert Matteo	2019
William Robertson	2019
Frank Stella	2020
David Vicente	2020

**C. Accounting Records**

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

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

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

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

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

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

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

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

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

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

**B. Fund Accounting (continued)**

An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate “fund types.”

Governmental Funds:

*General Fund*

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

*Capital Projects Fund*

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

*Debt Service Fund*

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

Fiduciary Funds:

*Trust and Agency Fund*

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

**C. District Wide and Fund Financial Statements**

*District Wide Financial Statements*

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

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

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

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

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

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

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

*Fund Financial Statements*

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

**D. Basis of Accounting**

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

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

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

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

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

In its accounting and financial reporting, the Fire District No. 1 of the Township of Washington follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 1 of the Township of Washington's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

**E. Budgets and Budgetary Accounting**

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

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

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

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

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

**F. Encumbrances**

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The District did not have any encumbrances at December 31, 2017.

**G. Cash and Cash Equivalents**

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity.

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

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

**G. Cash and Cash Equivalents (continued)**

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

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

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If 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. Prepaid Expenses**

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

**I. Debt Limitation**

*N.J.S.A.40A:14-84* governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

**J. Capital Assets**

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$1,000.

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

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

**J. Capital Assets (continued)**

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

Land Improvements	40 Years
Building and Improvements	5 to 30 Years
Furniture and Equipment	5 to 15 Years
Vehicles and Apparatus	5 to 25 Years

**K. Inventory, Materials and Supplies**

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

**L. Interfund Receivable/Payable**

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

**M. Compensated Absences**

Fire District employees are entitled to vacation and sick leave. Unused vacation may be accumulated with a 90 hours threshold for firemen and a 10 day threshold for administrative staff. Unused sick time will be paid upon retirement to any employee with a minimum of ten years at a rate of thirty percent of their accrued sick time. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

**N. Revenues and Expenditures**

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

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

**O. Fire District Taxes**

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

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

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

**P. Fund Equity**

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

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

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

**Q. Net Position**

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

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

**R. Use of Estimates**

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

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

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

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

*Adopted Accounting Pronouncements*

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

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

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

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

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

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

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

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

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

*Recently Issued Accounting Pronouncements*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**T. Unrealized Gains and Losses**

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

**U. Fair Value Measurement**

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

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

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

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

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

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

*Level III* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

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

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

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

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

**V. Subsequent Events**

Fire District No. 1 of the Township of Washington has evaluated subsequent events occurring after December 31, 2017 through the date of August 13, 2018, which is the date the financial statements were available to be issued.

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

**NOTE 3: CASH AND CASH EQUIVALENTS**

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

**Deposits:**

Demand Deposits	\$ 2,889,556
Total Deposits	<u>\$ 2,889,556</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ 2,873,114
Fiduciary Funds	<u>16,442</u>
Total	<u>\$ 2,889,556</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, the District's bank balance of \$2,180,750 was insured or collateralized as follows:

Insured	\$ 624,862
Collateralized not in the District's name (New Jersey Cash Management Fund)	266,031
Collateralized in the District's name under GUDPA	<u>1,289,857</u>
Total	<u>\$ 2,180,750</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

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

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

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk**

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

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

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

	<b>Assets at Fair Value as of December 31, 2017</b>			
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<i>Total</i>
Length of service award program:				
Fixed account investment contract	\$ -	\$ -	\$ 4,524,348	\$ 4,524,348
Total LOSAP at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,524,348</u>	<u>\$ 4,524,348</u>

**Level III Gains and Losses**

The following table sets forth a summary of changes in the fair value of the length of service award program's Level III assets for the year ended December 31, 2017:

	<b>Level III Assets</b>
	<b>Year Ended</b>
	<b><u>December 31, 2017</u></b>
Balance, beginning of year	\$ 4,167,636
Purchases, sales, issuances and settlements (net)	542,980
Gains & (Losses)	<u>(186,268)</u>
Balance, end of year	<u>\$ 4,524,348</u>

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

**NOTE 5: DUE FROM OTHERS**

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

Inspira fee receivables	\$ 19,485
Maintenance garage fee receivables	7,503
Interlocal agreement receivable	<u>21,918</u>
Total	<u>\$ 48,906</u>

**NOTE 6: FIXED ASSETS**

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the fire districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	<u>\$ 590,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590,015</u>
Total capital assets that are not being depreciated	<u>590,015</u>	<u>-</u>	<u>-</u>	<u>590,015</u>
Apparatus in progress:				
Apparatus in progress	<u>-</u>	<u>916,952</u>	<u>-</u>	<u>916,952</u>
Total apparatus in progress	<u>-</u>	<u>916,952</u>	<u>-</u>	<u>916,952</u>
Capital assets at historical cost:				
Building and improvements	11,551,845	28,207	-	11,580,052
Furniture and equipment	3,635,341	153,859	(10,153)	3,779,047
Vehicle and apparatus	<u>5,980,100</u>	<u>99,534</u>	<u>(277,878)</u>	<u>5,801,756</u>
Total capital assets at historical cost	<u>21,167,286</u>	<u>281,600</u>	<u>(288,031)</u>	<u>21,160,855</u>
Total capital assets	<u>21,757,301</u>	<u>1,198,552</u>	<u>(288,031)</u>	<u>22,667,822</u>
Less: accumulated depreciation:				
Building and improvements	(5,397,077)	(357,136)	-	(5,754,213)
Furniture and equipment	(2,764,398)	(255,312)	10,153	(3,009,557)
Vehicle and apparatus	<u>(3,382,946)</u>	<u>(299,451)</u>	<u>271,302</u>	<u>(3,411,095)</u>
Total accumulated depreciation	<u>(11,544,421)</u>	<u>(911,899)</u>	<u>281,455</u>	<u>(12,174,865)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 10,212,880</u>	<u>\$ 286,653</u>	<u>\$ 6,576</u>	<u>\$ 10,492,957</u>

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

**NOTE 7: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2017, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>12/31/16</u>	<u>Accrued/</u> <u>increases</u>	<u>(Retired)/</u> <u>(decreases)</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
General serial bonds	\$1,660,000	-	(400,000)	\$1,260,000	270,000
Unamortized bond premium	10,482	-	(3,852)	6,630	2,615
Obligations under capital lease	1,643,970	1,696,785	(463,617)	2,877,138	533,678
Net pension liability	9,622,709	-	(2,221,878)	7,400,831	-
Net length of service awards program liability	8,478,749	634,795	-	9,113,544	-
Compensated absences	<u>337,733</u>	<u>48,708</u>	<u>-</u>	<u>386,441</u>	<u>96,610</u>
Total	<u>\$21,753,593</u>	<u>\$2,380,288</u>	<u>\$(3,089,347)</u>	<u>\$21,044,584</u>	<u>\$ 902,903</u>

**A. Bonds Payable**

Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Fire District are general obligation bonds.

On September 26, 2002, the Fire District issued \$5,935,000 general obligation bonds at interest rates varying from 2% to 4% for various construction and renovation projects. These bonds were redeemed as of December 31, 2017.

On August 3, 2006, the Fire District issued \$2,500,000 general obligation bonds at interest rates varying from 4% to 5% for various construction and renovation projects. The final maturity of these bonds is August 1, 2021. The bonds will be paid from property tax revenue.

Principal and interest due on bonds outstanding is as follows:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 270,000	\$ 59,650	\$ 329,650
2019	320,000	46,150	366,150
2020	330,000	30,150	360,150
2021	<u>340,000</u>	<u>15,300</u>	<u>355,300</u>
Total	<u>\$ 1,260,000</u>	<u>\$ 151,250</u>	<u>\$ 1,411,250</u>

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

**NOTE 7: LONG-TERM OBLIGATIONS (continued)**

**B. Capital Leases Payable**

The Fire District is leasing fire trucks totaling \$3,340,898 under capital leases. All capital leases are for a term of three to seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2017.

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 533,678	\$ 45,900	\$ 579,578
2019	614,898	54,064	668,962
2020	443,242	39,393	482,635
2021	310,111	29,526	339,637
2022	208,435	22,574	231,009
2023-2028	<u>766,530</u>	<u>52,974</u>	<u>819,504</u>
Total	<u>\$ 2,876,894</u>	<u>\$ 244,431</u>	<u>\$ 3,121,325</u>

**NOTE 8: OPERATING LEASES**

At December 31, 2017, the Fire District had operating lease agreements in effect for the following:

- Five (5) E-Studio 206L Copiers
- One (1) E-Studio 3040C Copier
- Six (6) Fax Boards
- One (1) LCT

Future minimum rental payments under operating lease agreements are as follows:

For the year ended December 31,	<u>Amount</u>
2018	<u>\$ 4,360</u>
Total	<u>\$ 4,360</u>

**NOTE 9: PENSION OBLIGATIONS**

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

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

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65.

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

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

**Contributions** – The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the District's contractually required contribution to PERS plan was \$21,835.

**Components of Net Pension Liability** – At December 31, 2017, the District's proportionate share of the PERS net pension liability was \$548,670. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017, was 0.0023569905% which was a decrease of 0.0001671383% from its proportion measured as of June 30, 2016.

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

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 146,462	\$ 222,455
Deferred Inflows of Resources	204,778	91,435
Net Pension Liability	548,670	747,572
 Fire District No. 1 of the Township of Washington's portion of the Plan's total net pension Liability	 0.00236%	 0.00252%

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2017, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is \$12,264. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ 12,919	\$ -
Changes of Assumptions	110,538	110,133
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,736	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington's Contributions and Proportion Share of Contributions	<u>19,269</u>	<u>94,645</u>
	<u>\$ 146,462</u>	<u>\$ 204,778</u>

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ (12,288)
2019	(5,723)
2020	707
2021	(26,006)
2022	<u>(15,006)</u>
	<u>\$ (58,316)</u>

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

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

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

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

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

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

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

**Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<b>1%</b>	<b>Current Discount Rate</b>	<b>1%</b>
	<b>Decrease</b>	<b>Rate</b>	<b>Increase</b>
	<b><u>(4.00%)</u></b>	<b><u>(5.00%)</u></b>	<b><u>(6.00%)</u></b>
Fire District No. 1 of the Township of Washington's Proportionate Share of the Net Pension Liability	<u>\$ 680,662</u>	<u>\$ 548,670</u>	<u>\$ 438,704</u>

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

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

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

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

The following represents the membership tiers for PFRS:

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

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

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

**Contributions** – The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the District's contractually required contributions to PFRS plan was \$392,814.

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

**Net Pension Liability and Pension Expense** – At December 31, 2017 the District’s proportionate share of the PFRS net pension liability was \$6,852,161. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2017. The District’s proportion measured as of June 30, 2017, was 0.044384370%, which was a decrease of 0.0020756242% from its proportion measured as of June 30, 2016.

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

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 1,252,732	\$ 2,166,524
Deferred Inflows of Resources	1,535,726	224,026
Net Pension Liability	6,852,161	8,875,137
Fire District No. 1 of the Township of Washington's portion of the Plan's total net pension Liability	0.04438%	0.04646%

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2017, the District’s proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2017 measurement date is \$596,620.

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ 44,453	\$ 40,216
Changes of Assumptions	844,948	1,122,184
Net Difference between Projected and Actual Earnings on Pension Plan Investments	130,755	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington’s Contributions and Proportion Share of Contributions	<u>232,576</u>	<u>373,326</u>
	<u>\$ 1,252,732</u>	<u>\$ 1,535,726</u>

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 70,010
2019	208,238
2020	(6,890)
2021	(415,818)
2022	<u>(138,535)</u>
	<u>\$ (282,995)</u>

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

The State’s proportionate share of the PFRS net pension liability attributable to the District is \$767,500 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The State’s proportion of the net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2017 was 0.0020756242%, which was a decrease of 0.0443848370% from its proportion measured as of June 30, 2016, which is the same proportion as the District’s.

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

Fire District No. 1 of the Township of Washington's Proportionate Share of Net Pension Liability	\$ 6,852,161
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the District	<u>767,500</u>
	<u>\$ 7,619,661</u>

At December 31, 2017, the State's proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2017 measurement date was \$93,883.

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

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

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

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

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

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

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

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

**NOTE 9: PENSION OBLIGATIONS (continued)**

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

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

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

	<b>1% Decrease <u>(5.14%)</u></b>	<b>Current Discount Rate <u>(6.14%)</u></b>	<b>1% Increase <u>(7.14%)</u></b>
Fire District No. 1 of the Township of Washington’s Proportionate Share of the Net Pension Liability	\$ 9,028,286	\$ 6,852,161	\$ 5,604,227
State of New Jersey's Proportionate Share of Net Pension Liability associated with the District	<u>1,011,244</u>	<u>767,500</u>	<u>567,236</u>
	<u>\$ 10,039,530</u>	<u>\$ 7,619,661</u>	<u>\$ 5,631,463</u>

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

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

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

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

**Contributions** – The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District. For the year ended December 31, 2017, the District’s contractually required contribution to the plan was \$350,283.

**Basis of Presentation** – The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of LOSAP to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Components of Net Pension Liability** – At December 31, 2017, the District’s net pension liability relating to the length of service awards program was \$9,113,544. The net pension liability was measured as of March 31, 2018. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of April 1, 2017, which was rolled forward to March 31, 2018. The components of the net pension liability at December 31, 2017, were as follows:

**Balances at December 31, 2017**

	<u>12/31/2017</u>
Actuarial valuation date	April 1, 2017
Deferred outflows of resources	\$ 264,726
Deferred inflows of resources	-
Plan fiduciary liability	-
Net pension liability	9,113,544
Plan fiduciary net position as a percentage of the total pension liability	0.00%

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

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

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

	<b>Increase (Decrease)</b>		
	<b>Total pension liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net pension liability (a) - (b)</b>
Balance at 4/1/17	\$ 8,748,479	\$ -	\$ 8,748,479
Changes for the year:			
Service costs	176,914	-	176,914
Interest	303,302	-	303,302
Changes in benefit terms	-	-	-
Differences in expected and actual experience	-	-	-
Changes in assumptions	330,908	-	330,908
Benefit payments and expenses	<u>(176,229)</u>	<u>-</u>	<u>(176,229)</u>
Net changes	<u>634,795</u>	<u>-</u>	<u>634,795</u>
Balance at 3/31/2018	<u>\$ 9,113,544</u>	<u>\$ -</u>	<u>\$ 9,113,544</u>

**Pension Expense** – The pension expense, calculated by the plan as of the March 31, 2018 measurement date is \$546,298 as follows:

<b>Note</b>	<b>Description</b>	<b>Amount</b>
A	Service cost	\$ 176,914
B	Interest on the total pension liability	303,202
A	Changes of benefits terms	-
C	Differences between expected and actual experience	-
C	Changes of assumptions	<u>66,182</u>
	Total pension expense relating to LOSAP	<u>\$ 546,298</u>

**Notes:**

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

	Amount for period (a)	Portion of period (b)	Projected rate of return (c)	Projected Earnings (a) x (b) x (c)
Beginning total pension liability	\$ 8,478,749	100%	3.61%	\$ 306,083
Service cost (end of year)	176,914	0%	3.61%	-
Benefit payments	(159,619)	100%	3.61%	<u>(2,881)</u>
Total interest on the total pension liability				<u>\$ 303,202</u>

- C Provided in summary of deferred outflows and deferred inflows

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

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

**Deferred Outflows/Inflows of Resources** – At March 31, 2018 the District’s reported deferred outflows of resources and deferred inflows of resources related to the length of service awards program from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	<u>264,726</u>	<u>-</u>
	<u>\$ 264,726</u>	<u>\$ -</u>

The District will amortize the above sources of deferred outflows and inflows related to the length of service awards program over the following number of years:

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between expected and actual experience		
Year of LOSAP plan deferral:		
March 31, 2018	5.00	-
Changes of assumptions		
Year of LOSAP plan deferral:		
March 31, 2018	5.00	-

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

<u>Year ending March 31,</u>	<u>Amount</u>
2019	\$ 66,182
2020	66,182
2021	66,182
2022	<u>66,180</u>
	<u>\$ 264,726</u>

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

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

**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of April 1, 2017 rolled forward to March 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary Increases:	Not Applicable
Investment Rate of Return	3.61%
	net of pension plan investment expense, including inflation
Mortality Rate Table	Pre-retirement: None Post-retirement: RP2000MF with improvement
Retirement	First eligible
Turnover	T5
Disability	None

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

**Discount Rate** – The discount rate used to measure the total pension liability was 3.61% which is based on the 20-year AA general obligation bond rate as of March 31, 2018.

**Sensitivity of the District’s Net Pension Liability to Changes in the Discount Rate** – The following presents the District’s net pension liability calculated using the discount rate as disclosed above, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.61%) or 1-percentage-point higher (4.61%) than the current rate:

	<b>1% Decrease (2.61%)</b>	<b>Current Discount Rate (3.61%)</b>	<b>1% Increase (4.61%)</b>
Net Pension Liability - LOSAP	\$ <u>9,759,735</u>	\$ <u>9,113,544</u>	\$ <u>8,453,028</u>

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

**NOTE 11: FUNDING**

The activities of the Board of Commissioners are primarily funded by striking a fire tax rate on property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2017, the fire tax rate on Fire District No. 1 was \$.139 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of \$16,419.

**NOTE 12: RISK MANAGEMENT**

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

**A. Property and Liability Insurance**

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

**NOTE 13: RELATED PARTIES**

The Fire District purchases fuel from the Township, which purchases it in large quantities from an outside vendor. Purchases made by the District from the Township in 2017 totaled \$30,306. There were \$5,976 in unpaid balances due to the Township at December 31, 2017.

The Fire District rents fire hydrants owned by the Township's Municipal Utilities Authority and made payments to them during 2017 totaling \$110,257 with no amounts due at year-end.

**NOTE 14: INTERFUND RECEIVABLE/PAYABLE**

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

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 12,905	\$ 19,079
Capital projects	19,079	-
Unemployment	<u>-</u>	<u>12,905</u>
Totals	<u>\$ 31,984</u>	<u>\$ 31,984</u>

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

As previously mentioned, these amounts are eliminated in the governmental columns of the Statement of Net Position.

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

**NOTE 15: FUND BALANCES APPROPRIATED**

The 2017 annual budget of the Fire District was adopted on January 8, 2017 and subsequently approved by the voters at the annual election. The budget utilized \$356,000 of unreserved fund balance in the general fund.

The following presents the fund balance as of the end of the last five years and the amount utilized in the subsequent year's budget:

<u>For the year ended December 31,</u>	<u>Balance at December 31,</u>	<u>Utilization in Subsequent Budget</u>
2017	\$ 6,230,371	\$ 360,000
2016	1,826,996	410,000
2015	1,756,602	356,000
2014	1,199,550	250,000
2013	950,293	150,000

**NOTE 16: FUND BALANCE**

**General Fund** – Of the \$6,230,371 General Fund fund balance at December 31, 2017, \$4,524,348 is restricted for length of service award program, \$360,000 has been assigned to be designated for subsequent year's expenditures and \$1,346,023 is unassigned.

**Capital Projects Fund** – Of the \$19,079 Capital Projects Fund fund balance at December 31, 2017, \$19,079 has been restricted for capital.

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

**NOTE 17: DEFICIT UNRESTRICTED NET POSITION**

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(10,346,012) existed as of December 31, 2017 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension and the long-term liability for the LOSAP obligation. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

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

**NOTE 18: PRIOR PERIOD ADJUSTMENT**

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

	<u>Governmental Activities</u>	<u>Governmental Fund: General Fund</u>	<u>Fiduciary Fund: Length of Service Award Program</u>
Net position as previously reported at December 31, 2016	\$ (1,258,443)	\$ 1,826,996	\$ 4,167,636
Prior period adjustment - implementation of GASB 73:			
Reclassification of length of service award program investment balance from Fiduciary Fund to Governmental Fund	4,167,636	4,167,636	(4,167,636)
Addition of net length of service award program liability	<u>(6,627,416)</u>	<u>-</u>	<u>-</u>
Total prior period adjustment	<u>(2,459,780)</u>	<u>4,167,636</u>	<u>(4,167,636)</u>
Net position as restated January 1, 2017	<u>\$ (3,718,223)</u>	<u>\$ 5,994,632</u>	<u>\$ -</u>

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

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 1,000	\$ 1,000	\$ 6,688	\$ 5,688
Other revenue	185,000	185,000	288,902	103,902
Total miscellaneous revenues	<u>186,000</u>	<u>186,000</u>	<u>295,590</u>	<u>109,590</u>
Operating grant revenues:				
Supplemental fire service act	16,419	16,419	16,419	-
Total operating grant revenue	<u>16,419</u>	<u>16,419</u>	<u>16,419</u>	<u>-</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	129,663	129,663	141,008	11,345
Penalties and fines	6,000	6,000	14,078	8,078
Other revenues	8,000	8,000	90	(7,910)
Total uniform fire safety act revenues	<u>143,663</u>	<u>143,663</u>	<u>155,176</u>	<u>11,513</u>
Total miscellaneous revenues offset with appropriations	<u>143,663</u>	<u>143,663</u>	<u>155,176</u>	<u>11,513</u>
Total revenues	<u>346,082</u>	<u>346,082</u>	<u>467,185</u>	<u>121,103</u>
Amount raised by taxation to support district budget				
	5,893,235	5,893,235	5,893,235	-
Total anticipated revenues	<u>6,239,317</u>	<u>6,239,317</u>	<u>6,360,420</u>	<u>121,103</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	167,420	160,470	160,928	(458)
Fringe benefits	57,516	92,916	90,610	2,306
Other expenditures:				
Professional fees	161,600	161,600	85,664	75,936
Elections	2,700	2,630	2,537	93
Insurance	28,340	28,340	7,390	20,950
Membership dues/software/subscriptions	19,600	29,970	31,363	(1,393)
Office supplies	19,000	19,000	8,361	10,639
Reimbursement for losses/expenses	2,000	2,000	591	1,409
Total administration	<u>458,176</u>	<u>496,926</u>	<u>387,444</u>	<u>109,482</u>

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

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Salaries and wages	1,647,990	1,686,940	1,696,257	(9,317)
Fringe benefits	1,340,125	1,304,625	1,249,375	55,250
Other expenditures:				
Insurance	73,515	71,615	92,518	(20,903)
Advertising	12,200	7,100	7,373	(273)
Professional services	84,015	36,215	90,580	(54,365)
Rental charges	69,820	69,820	110,257	(40,437)
Supplies	41,700	41,700	40,420	1,280
Training and education	159,000	145,000	132,230	12,770
Uniforms	158,200	139,700	136,899	2,801
Utilities	264,905	246,905	232,362	14,543
Other rentals	110,257	111,357	70,549	40,808
SFSG expenses	18,061	18,061	14,654	3,407
Contingencies	8,000	8,000	500	7,500
Maintenance and repairs	441,900	413,150	364,070	49,080
Other non-bondable assets	172,100	308,500	302,538	5,962
Total cost of operations and maintenance	<u>4,601,788</u>	<u>4,608,688</u>	<u>4,540,582</u>	<u>68,106</u>
Operating appropriations offset with revenues:				
Salaries and wages	111,821	112,171	115,388	(3,217)
Fringe benefits	31,842	31,842	43,757	(11,915)
Other expenditures	-	-	89	(89)
Total operating appropriations offset with revenues	<u>143,663</u>	<u>144,013</u>	<u>159,234</u>	<u>(15,221)</u>
Length of service awards program	<u>465,000</u>	<u>419,000</u>	<u>416,446</u>	<u>2,554</u>
Capital appropriations:				
Assets acquired under capital lease	-	-	916,952	(916,952)
Debt service for capital appropriations:				
Bond principal	400,000	400,000	400,000	-
Interest on bonds	78,150	78,150	75,150	3,000
Capital leases	463,990	463,990	463,811	179
Interest on capital leases	38,550	38,550	38,726	(176)
Total debt service for capital appropriations	<u>980,690</u>	<u>980,690</u>	<u>977,687</u>	<u>3,003</u>
Total operating appropriations	<u>6,649,317</u>	<u>6,649,317</u>	<u>7,398,345</u>	<u>(749,028)</u>
Other financing sources and uses:				
Proceeds from capital lease	-	-	916,952	916,952
Total other financing sources and uses:	<u>-</u>	<u>-</u>	<u>916,952</u>	<u>916,952</u>
Excess (efficiency) of revenues over (under) expenditures	<u>(410,000)</u>	<u>(410,000)</u>	<u>(120,973)</u>	<u>289,027</u>
Fund balance, January 1	<u>1,846,075</u>	<u>1,846,075</u>	<u>1,846,075</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,436,075</u>	<u>\$ 1,436,075</u>	<u>\$ 1,725,102</u>	<u>\$ 289,027</u>
<b>RECAPITULATION OF FUND BALANCE</b>				
Restricted fund balance:				
Capital reserve			\$ 19,079	
Assigned for:				
Subsequent year's expenditures			360,000	
Unassigned fund balance			<u>1,346,023</u>	
Total - budgetary basis			<u>1,725,102</u>	
Reconciliation to governmental fund statements (GAAP):				
Length of service awards program investment balance not recognized on the budgetary basis			<u>4,524,348</u>	
Total fund balance per governmental funds (GAAP)			<u>\$ 6,249,450</u>	

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

	<u><b>Total Governmental Funds</b></u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 6,360,420
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>126,534</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 6,486,954</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 7,398,345
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service awards program district contribution	(416,446)
Administrative fees	6,045
Group life insurance premiums	10,776
Participant withdrawals	<u>169,447</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 7,168,167</u></u>

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

	<b>Measurement Date Ended June 30,</b>				
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
District's Proportion of the Net Pension Liability	0.00236%	0.00252%	0.00242%	0.00235%	0.00325%
District's Proportionate Share of the Net Pension Liability	\$ 548,670	\$ 747,572	\$ 543,150	\$ 440,823	\$ 621,163
District's Covered-Employee Payroll	\$ 163,292	\$ 158,059	\$ 166,908	\$ 163,332	\$ 158,925
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	336.01%	472.97%	325.42%	269.89%	390.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Schedule of District Contributions**  
**Public Employee's Retirement System**  
**Last Ten Fiscal Years**

	<b>Year Ended December 31,</b>				
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
District 's Contractually Required Contribution	\$ 21,835	\$ 22,424	\$ 20,802	\$ 19,410	\$ 24,489
District 's Contribution in Relation to the Contractually Required Contribution	<u>(21,835)</u>	<u>(22,424)</u>	<u>(20,802)</u>	<u>(19,410)</u>	<u>(24,489)</u>
District 's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District 's Covered-Employee Payroll	\$ 168,444	\$ 163,292	\$ 158,059	\$ 166,908	\$ 163,332
District 's Contributions as a Percentage of it's Covered-Employee Payroll	12.96%	13.73%	13.16%	11.63%	14.99%

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Police and Firemen's Retirement System**  
**Last Ten Fiscal Years**

	<b>Measurement Date Ended June 30,</b>				
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
District's Proportion of the Net Pension Liability	0.04438%	0.04646%	0.04559%	0.04307%	0.04550%
District's Proportionate Share of the Net Pension Liability	\$ 6,852,161	\$ 8,875,137	\$ 7,592,932	\$ 5,148,227	\$ 6,049,017
State's Proportionate Share of the Net Pension Liability associated with the District	<u>767,500</u>	<u>745,291</u>	<u>665,875</u>	<u>583,452</u>	<u>563,842</u>
Total	<u>\$ 7,619,661</u>	<u>\$ 9,620,428</u>	<u>\$ 8,258,807</u>	<u>\$ 5,731,679</u>	<u>\$ 6,612,859</u>
District's Covered-Employee Payroll	\$ 1,403,053	\$ 1,392,286	\$ 1,339,582	\$ 1,360,926	\$ 1,340,450
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	488.38%	637.45%	566.81%	378.29%	451.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.31%	62.41%	58.70%

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Schedule of District Contributions**  
**Police and Firemen's Retirement System**  
**Last Ten Fiscal Years**

	<b>Year Ended December 31,</b>				
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
District 's Contractually Required Contribution	\$ 392,814	\$ 378,811	\$ 370,541	\$ 330,883	\$ 331,969
District 's Contribution in Relation to the Contractually Required Contribution	<u>(392,814)</u>	<u>(378,811)</u>	<u>(370,541)</u>	<u>(330,883)</u>	<u>(331,969)</u>
District 's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District 's Covered-Employee Payroll	\$ 1,519,259	\$ 1,403,053	\$ 1,392,286	\$ 1,339,582	\$ 1,360,926
District 's Contributions as a Percentage of it's Covered-Employee Payroll	25.86%	27.00%	26.61%	24.70%	24.39%

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

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

	<b>2017</b>
Total pension liability:	
Service cost	\$ 176,914
Interest	303,202
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	330,908
Payments for benefits and admin expenses	(176,229)
Net change in total pension liability	634,795
Total pension liability - beginning	8,478,749
Total pension liability - ending	\$ 9,113,544
Net pension liability - LOSAP	\$ 9,113,544
Plan fiduciary net position as a percentage of the total pension liability	0.00%
District's covered payroll	N/A
Net pension liability as a percentage of covered payroll	N/A
Expected average remaining service years for all participants	5

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to the Required Supplementary Information**  
**December 31, 2017**

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

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

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

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

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

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

**Length of Service Awards Program (LOSAP)**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

None, other than discount rate.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Capital Projects Fund**  
**Statement of Project Expenditures**  
**For the year ended December 31, 2017**

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance December 31, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Renovations to the Huffville Substation, install a training facility at a location to be determined, renovate a heavy rescue truck, extend the parking lot at the Fire Station on Fries Mill Road, acquire computer equipment and related software for fire apparatus, install additional security devices at the East Holly Station, and undertake roof repairs at the East Holly Station.	02/18/06	\$ 2,500,000	\$ 2,488,024	\$ -	11,976
Purchase of a fire apparatus.	09/13/13	920,000	912,897	-	7,103
<b>Total</b>		<u>\$ 3,420,000</u>	<u>\$ 3,400,921</u>	<u>\$ -</u>	<u>19,079</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Long-Term Debt**  
**Schedule of Serial Bonds Payable**  
**For the year ended December 31, 2017**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance January 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
General Obligation Bonds, 2003	9/26/02	\$ 5,935,000	1/1/18	\$ 150,000	4.000%	\$ 150,000	\$ 150,000	\$ -	
General Obligation Bonds, 2006	8/3/06	\$ 2,500,000	8/1/18	270,000	5.000%	1,510,000	-	250,000	1,260,000
			8/1/19	320,000	5.000%				
			8/1/20	330,000	4.500%				
			8/1/21	340,000	4.500%				
Total						\$ 1,660,000	\$ 400,000	\$ 1,260,000	

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the year ended December 31, 2017**

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding</u>	
			<u>Principal</u>	<u>Interest</u>		<u>January 1, 2017</u>	<u>December 31, 2017</u>
Fire Truck 1016 - Lease 2013	9/13/13	7 years	\$ 920,000	\$ 82,337	2.19%	\$ 542,534	\$ 411,229
Fire Truck 1011 - Lease 2014	01/15/14	5 years	475,000	32,538	2.25%	291,316	196,363
Breathing Apparatus - Lease 2014	06/03/14	3 years	184,974	8,198	2.20%	63,005	-
Radios - Lease 2016	02/23/16	3 years	240,065	13,812	2.85%	240,065	162,281
Fire Truck 1031 - Lease 2016	05/15/16	5 years	507,000	36,140	2.34%	507,000	410,236
Fire Truck 1026 - Lease 2017	1/24/2017	7 years	916,952	74,427	1.99%	-	916,952
Fire Truck 1038 - Lease 2017	12/14/2017	10 years	779,833	114,004	2.55%	-	779,833
					Total	\$ 1,643,920	\$ 2,876,894
						\$ 1,696,785	\$ 463,811
						\$	\$



Board of Fire Commissioners  
Fire District No. 1 of the Township of Washington  
County of Gloucester  
Sewell, New Jersey 08080

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

### GENERAL COMMENTS

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

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

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

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

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

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The minutes indicate that quotes were requested for all items that required them.

## **Examination of General Ledger**

### **Comment 2017-001:**

It was noted during the audit that general ledger maintenance was not being performed. Numerous accounts had not been adjusted and/or properly recorded in the general ledger.

#### ***Recommendation:***

A complete and accurate general ledger system must be implemented and maintained.

#### ***Management's Response:***

This finding will be corrected in the fiscal year ending December 31, 2018.

### **Comment 2017-002:**

It was noted during the audit that the District did not properly maintain a fixed asset schedule. The fixed asset schedule was not properly reconciled to the prior year's audited financial statements, resulting in the ending fixed asset balances being misstated. In addition, all fixed asset additions and disposals must be properly recorded in the schedule.

#### ***Recommendation:***

A complete and accurate fixed asset ledger schedule should be maintained and reconciled.

#### ***Management's Response:***

This finding will be corrected in the fiscal year ending December 31, 2018.

## **Examination of Cash**

### **Comment 2017-003:**

During our audit, it was noted that the District had established a capital fund account in the amount of \$142,000 held by trustee for the purchase of a firehouse. It was noted that the appropriation was not included in the 2017 and/or 2018 capital budget. In addition, it was noted that the district did not obtain voter approval for the capital purchase.

#### ***Recommendation:***

Acquisitions of property and equipment by the District should be in accordance with N.J.S.A. 40A:14-85.

#### ***Management's Response:***

This finding will be corrected in the fiscal year ending December 31, 2018.

### **Comment 2017-004:**

During our audit, it was noted that the District had a cashier's check dated December 13, 2017 in the amount of \$142,000 in a lock box. The check was not negotiated until settlement on January 25, 2018.

***Recommendation:***

All funds must be deposited in a district account within 48 hours per N.J.S.A. 40A:5-15.

***Management's Response:***

This finding will be corrected in the fiscal year ending December 31, 2018.

**Examination of Investments**

An examination of investment held by the District was conducted to ensure all certificate of deposit balances as stated on the general ledger were accurate and that all earnings were properly recorded.

**Examination of Bills**

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

**Examination of Payroll**

An examination of payroll was conducted to ensure all salaries were paid according to amounts approved by the Board. The following discrepancies were noted during our examination of payroll:

**Examination of Cash**

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

**Follow-up on Prior Year's Findings**

In accordance with government auditing standards, our procedures included a review of all prior year findings. The previous year audit findings have been corrected.

**Acknowledgment**

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

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

Should you have any questions, please contact us.

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

August 13, 2018  
Toms River, New Jersey