

**Toms River Fire Commissioners District #2**

**Ocean County, New Jersey**

**Financial Statements  
December 31, 2016 and 2015  
With Independent Auditors' Reports**

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**December 31, 2016 and 2015**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **TOMS RIVER FIRE COMMISSIONERS, DISTRICT NO. 2**

**257 WARNER STREET  
TOMS RIVER, NEW JERSEY 08755**

**732-363-2245  
Fax: 732-363-2695**

**Robert J. Blank Jr., Chairman  
Joe Duff, Treasurer  
Brian Geoghegan, Clerk  
Christopher Silva, Asst. Clerk  
Kevin Britton, Commissioner-at-large**

**Pleasant Plain Fire Dept.  
Clayton Avenue, Toms River, NJ**

**Silverton Fire Company  
Kettle Creek Road, Toms River, NJ**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of the Toms River Fire Commissioners, District No. 2's financial performance provides an overview of the District's financial activities for the years ended December 31, 2016 and 2015.

### **USING THIS ANNUAL REPORT**

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

### **Reporting on the District as a Whole**

#### **The Statements of Net Position and Governmental Funds Balance Sheet and the Statements of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position**

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

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

## Toms River Fire Commissioners, District No. 2

### Management's Discussion and Analysis (continued)

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During the fiscal year ended December 31, 2015, the District implemented two new Governmental Accounting Standards Board ("GASB"), GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, relative to its participation in the Public Employees Retirement System (PERS). Historically, the District has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the District is required to record a liability in its financial statements for its proportionate share of the PERS plan liability and expenses. The District's December 31, 2016 net pension liability increased to \$796,415, deferred outflows of resources increased to \$227,257, and deferred inflows of resources decreased to \$931. All employers who participate in the PERS are being required to record a proportionate share of the December 31, 2016 and 2015 net pension liability (local only) in their respective financial statements which totals \$29,617,131,759 and \$22,447,996,119, respectively. Management is of the opinion that it is highly unlikely the District will ever be required to pay this liability.

In the Statements of Net Position and Governmental Funds Balance Sheet and the Statements of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position, we divide the District into two kinds of activities;

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

#### **Reporting on the District's Most Significant Funds**

##### **Fund Financial Statements**

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

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statements of Net Position and Governmental Funds Balance Sheet and the Statements of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position) and capital funds in reconciliation at the bottom of the fund financial statements.

#### **The District as a Board**

##### **Reporting on the District's Fiduciary Responsibilities**

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

## Toms River Fire Commissioners, District No. 2 Management's Discussion and Analysis (continued)

### THE DISTRICT AS A WHOLE

For the years ended December 31, 2016 and 2015, net position changed as follows:

	2016 GAAP Basis		Total	Increase (Decrease) over 2015	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
<b>Assets and Deferred Outflows of Resources:</b>					
Current and other assets	\$ 3,474,651	\$ -	\$ 3,474,651	\$ 221,343	6.80%
Capital assets - net	-	3,917,287	3,917,287	(71,795)	-1.80%
Deferred outflows of resources	227,257	-	227,257	134,226	144.28%
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,701,908</b>	<b>\$ 3,917,287</b>	<b>\$ 7,619,195</b>	<b>\$ 283,774</b>	<b>3.87%</b>
<b>Liabilities and Deferred Inflows of Resources:</b>					
Total liabilities	\$ 1,093,602	\$ -	\$ 1,093,602	\$ (287,291)	-20.80%
Deferred inflows of resources	931	-	931	(9,831)	-91.35%
<b>Total liabilities and deferred inflows of resources</b>	<b>1,094,533</b>	<b>-</b>	<b>1,094,533</b>	<b>(297,122)</b>	<b>-21.35%</b>
<b>Net position</b>					
Net investment in capital assets			3,917,287	292,344	8.06%
Restricted for capital acquisitions			1,351,937	(91,436)	-6.33%
Unrestricted			1,255,438	379,988	43.40%
<b>Total net position</b>			<b>6,524,662</b>	<b>580,896</b>	<b>9.77%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>			<b>\$ 7,619,195</b>	<b>\$ 283,774</b>	<b>3.87%</b>

	2015 GAAP Basis		Total	Increase (Decrease) over 2014	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
<b>Assets and Deferred Outflows of Resources:</b>					
Current and other assets	\$ 3,191,954	\$ 61,354	\$ 3,253,308	\$ 352,136	12.14%
Capital assets - net	-	3,989,082	3,989,082	435,341	12.25%
Deferred outflows of resources	93,031	-	93,031	59,200	174.99%
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,284,985</b>	<b>\$ 4,050,436</b>	<b>\$ 7,335,421</b>	<b>\$ 846,677</b>	<b>13.05%</b>
<b>Liabilities and Deferred Inflows of Resources:</b>					
Total liabilities	\$ 933,256	\$ 447,637	\$ 1,380,893	\$ 524,737	61.29%
Deferred inflows of resources	10,762	-	10,762	(18,940)	-63.77%
<b>Total liabilities and deferred inflows of resources</b>	<b>944,018</b>	<b>447,637</b>	<b>1,391,655</b>	<b>505,797</b>	<b>57.10%</b>
<b>Net position</b>					
Net investment in capital assets			3,624,943	113,814	3.24%
Restricted for capital acquisitions			1,443,373	(13,073)	-0.90%
Unrestricted			875,450	240,139	37.80%
<b>Total net position</b>			<b>5,943,766</b>	<b>340,880</b>	<b>6.08%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>			<b>\$ 7,335,421</b>	<b>\$ 846,677</b>	<b>13.05%</b>

In both year, the District's increase in net position signified an improved financial condition.

## Toms River Fire Commissioners, District No. 2

### Management's Discussion and Analysis (continued)

#### Governmental Activities

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

#### THE DISTRICT'S FUNDS

The following schedules present a summary of general, capital fund revenues and expenditures for the fiscal years ended December 31, 2016 and 2015 and the amount and percentage of increases and decreases in relation to the prior years.

	2016 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2015	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 3,228,231	97.79%	\$ (127,943)	-3.81%
Interest income	15,659	0.47%	2,262	16.88%
Supplemental fire services grant	9,898	0.30%	(1)	-0.01%
Miscellaneous income	47,500	1.44%	32,614	219.09%
	<u>\$ 3,301,288</u>	<u>100.00%</u>	<u>\$ (93,068)</u>	<u>-2.74%</u>

For the year ended December 31, 2016 the District experienced a decrease in total revenue of approximately \$93,000. The majority of the decrease is related to district property tax rate decrease from \$0.075 to \$0.072 per \$100 of assessed valuation.

	2015 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 3,356,174	98.88%	\$ 460,174	15.89%
Interest income	13,397	0.39%	2,617	24.28%
Supplemental fire services grant	9,899	0.29%	1	0.01%
Miscellaneous income	14,886	0.44%	(56,077)	-79.02%
	<u>\$ 3,394,356</u>	<u>100.00%</u>	<u>\$ 406,715</u>	<u>13.61%</u>

For the year ended December 31, 2015 the District experienced an increase in total revenue of approximately \$407,000. The majority of the increase related to district property tax rate from \$0.065 to \$0.075 per \$100 of assessed valuation.

	2016 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2015	Percentage Increase (Decrease)
Expenditures				
Office expenses	\$ 6,450	0.24%	\$ (2,873)	-30.82%
Professional services	23,016	0.85%	(9,232)	-28.63%
Elections	8,445	0.31%	505	6.36%
Travel expenses	9,014	0.33%	(2,136)	-19.16%
Dues	1,697	0.06%	249	17.20%
Salaries and wages	256,214	9.42%	(39,468)	-13.35%

## Toms River Fire Commissioners, District No. 2

### Management's Discussion and Analysis (continued)

	2016 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2015	Percentage Increase (Decrease)
<i>(continued)</i>				
Fringe benefits	326,443	12.00%	7,941	2.49%
Advertising	1,629	0.06%	(297)	-15.42%
Telephone and opticom	2,910	0.11%	(6,327)	-68.50%
Insurance and health protection	155,673	5.72%	4,017	2.65%
Supplies	458	0.02%	(900)	-66.27%
Registrations, licenses and fees	959	0.04%	(141)	-12.82%
Uniforms	63,950	2.35%	(50)	-0.08%
Utilities and building maintenance	19,813	0.73%	798	4.20%
Physicals and fitness	8,151	0.30%	1,909	30.58%
Fire hydrant service on rentals	256,100	9.41%	4,035	1.60%
Contracted services provided by volunteer fire companies	57,346	2.11%	1,416	2.53%
Training	5,922	0.22%	(5,335)	-47.39%
Non-bondable - radios	28,471	1.05%	8,466	42.32%
Non-bondable - fire equipment	146,300	5.38%	(4,395)	-2.92%
Non-bondable - scuba and fire rescue	5,245	0.19%	(4,871)	-48.15%
Gas and oil	13,211	0.49%	(1,777)	-11.86%
Vehicle maintenance	77,665	2.85%	12,853	19.83%
Equipment repairs	42,852	1.58%	(1,911)	-4.27%
Contingent expenses	88	0.00%	28	46.67%
Other rental charges	104,724	3.85%	-	0.00%
First aid	10,000	0.37%	508	5.35%
Joint board expenses	760,199	27.93%	(349,628)	-31.50%
Pension expense, net	56,465	2.08%	37,108	191.70%
Depreciation expense	270,982	9.96%	16,424	6.45%
	<u>\$ 2,720,392</u>	<u>100.00%</u>	<u>\$ (333,084)</u>	<u>-10.91%</u>

Most expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an decrease in total expenditures of approximately \$333,000, or 11%, mainly due to decrease of joint board expense relate to replacement fire academy burn building.

	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
<b>Expenditures</b>				
Office expenses	\$ 9,323	0.31%	\$ 3,900	71.92%
Professional services	32,248	1.06%	7,509	30.35%
Elections	7,940	0.26%	(2,915)	-26.85%
Travel expenses	11,150	0.37%	3,239	40.94%
Dues	1,448	0.05%	(917)	-38.77%
Communication expenses	-	0.00%	(210)	-100.00%
Salaries and wages	295,682	9.68%	25,712	9.52%
Fringe benefits	318,502	10.43%	17,573	5.84%
Advertising	1,926	0.06%	925	92.41%

**Toms River Fire Commissioners, District No. 2**  
**Management's Discussion and Analysis (continued)**

	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
<i>(continued)</i>				
Telephone and opticom	9,237	0.30%	5,827	170.88%
Insurance and health protection	151,656	4.97%	(14,256)	-8.59%
Supplies	1,358	0.04%	(1,595)	-54.01%
Registrations, licenses and fees	1,100	0.04%	1,000	1000.00%
Uniforms	64,000	2.10%	-	0.00%
Utilities and building maintenance	19,015	0.62%	(697)	-3.54%
Physicals and fitness	6,242	0.20%	(2,134)	-25.48%
Fire hydrant service on rentals	252,065	8.26%	2,182	0.87%
Contracted services provided by volunteer fire companies	55,930	1.83%	-	0.00%
Training	11,257	0.37%	6,122	119.22%
Non-bondable - radios	20,005	0.66%	3,910	24.29%
Non-bondable - fire equipment	150,695	4.94%	44,807	42.32%
Non-bondable - scuba and fire rescue	10,116	0.33%	(5,269)	-34.25%
Gas and oil	14,988	0.49%	(16,165)	-51.89%
Vehicle maintenance	64,812	2.12%	(12,595)	-16.27%
Equipment repairs	44,763	1.47%	5,217	13.19%
Contingent expenses	60	0.00%	(102)	-62.96%
Other rental charges	104,724	3.43%	-	0.00%
First aid	9,492	0.31%	(380)	-3.85%
Joint board expenses	1,109,827	36.34%	352,907	46.62%
Pension expense, net	19,357	0.63%	12,351	176.29%
Depreciation expense	254,558	8.34%	26,549	11.64%
	<u>\$ 3,053,476</u>	<u>100.00%</u>	<u>\$ 462,495</u>	<u>17.85%</u>

Most expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$462,000, or 18%, mainly due to increase of joint board expense for replacement fire academy burn building.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board revised the General Fund budget one time. These budget amendments were a transfer within appropriations as a precaution to avoid over expending a line item.

The budget relied on the expectation of an increase in the total tax levy. For 2016, the district tax base increased while the tax rate decreased which produced a decrease in tax revenue of approximately \$128,000. For 2015, the district tax base decreased but the assessed tax rate increased to \$.075 from \$.065 which produced an increase in tax revenue of approximately \$460,000.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

For the years ended December 31, 2016 and 2015, capital assets changed as follows:

## Toms River Fire Commissioners, District No. 2 Management's Discussion and Analysis (continued)

	2015 GAAP Basis	Additions	Transfers/ Disposals	2016 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 21,400	\$ -	\$ -	\$ 21,400	0.00%
Building	1,119,468	-	-	1,119,468	0.00%
Machinery & equipment	475,158	58,593	13,879	547,630	15.25%
Construction in progress	663,894	16,692	(680,586)	-	-100.00%
Fire apparatus	4,529,538	123,902	310,695	4,964,135	9.59%
	<u>6,809,458</u>	<u>199,187</u>	<u>(356,012)</u>	<u>6,652,633</u>	-2.30%
Accumulated depreciation	<u>2,820,376</u>	<u>270,982</u>	<u>(356,012)</u>	<u>2,735,346</u>	-3.01%
Capital assets, net	<u>\$ 3,989,082</u>	<u>\$ (71,795)</u>	<u>\$ -</u>	<u>\$ 3,917,287</u>	-1.80%

The District accounted for the purchase of two new chief's vehicles and the deletion of a pumper truck and two old chief's vehicles.

	2014 GAAP Basis	Additions	Transfers/ Deletions	2015 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 21,400	\$ -	\$ -	\$ 21,400	0.00%
Building	1,102,468	17,000	-	1,119,468	1.54%
Machinery & equipment	475,158	-	-	475,158	0.00%
Construction in progress	42,612	672,899	(51,617)	663,894	1458.00%
Fire apparatus	4,792,331	-	(262,793)	4,529,538	-5.48%
	<u>6,433,969</u>	<u>689,899</u>	<u>(314,410)</u>	<u>6,809,458</u>	5.84%
Accumulated depreciation	<u>2,880,228</u>	<u>254,558</u>	<u>(314,410)</u>	<u>2,820,376</u>	-2.08%
Capital assets, net	<u>\$ 3,553,741</u>	<u>\$ 435,341</u>	<u>\$ -</u>	<u>\$ 3,989,082</u>	12.25%

The District accounted for the purchase of a new pumper truck and the deletion of a water tower truck and a utility truck.

### Debt

The District has no debt.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's general fund budget was determined based on a slight decrease to the district tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at 257 Warner Street, Toms River, New Jersey 08755.

## INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners  
Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Toms River Fire Commissioners, District No. 2, Ocean County, New Jersey as of and for the years ended December 31, 2016 and 2015, and related notes to the financial statements, which collectively comprise Toms River Fire Commissioners, District No. 2's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Toms River Fire Commissioners, District No. 2's 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 as applied to governmental units and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Toms River Fire Commissioners, District No. 2, Ocean County, New Jersey as of December 31, 2016 and 2015, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

The accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis on page A1 through A7, Schedule of the District's Proportionated Share of the Net Pension Liability – PERS, and Schedule of the District's Contributions – PERS on page 28 to 29 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Toms River Fire Commissioners, District No. 2 's basic financial statements. The accompanying financial information listed as Other Supplementary Information and Other Schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 and 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Other Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Statistical Information and Roster of Officials have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017 on our consideration of the Toms River Fire Commissioners, District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Toms River Fire Commissioners, District No. 2's internal control over financial reporting and compliance.

*Withum Smith + Brown, PC*

September 22, 2017

**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**

**INDEPENDENT AUDITORS' REPORT**

Board of Fire Commissioners  
Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Toms River Fire Commissioners, District No. 2, Ocean County, New Jersey, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Toms River Fire Commissioners, District No. 2's basic financial statements, and have issued our report thereon dated September 22, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Toms River Fire Commissioners, District No. 2's internal control over financial reporting 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 Toms River Fire Commissioners, District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Toms River Fire Commissioners, District No. 2's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Toms River Fire Commissioners, District No. 2, Ocean County, New Jersey financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

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

*Withum Smith + Brown, PC*

September 22, 2017

## **BASIC FINANCIAL STATEMENTS**

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**December 31, 2016**

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Position
<b>Assets and Deferred Outflows of Resources</b>					
Assets					
Cash	\$ 2,267,829	\$ -	\$ 2,267,829	\$ -	\$ 2,267,829
Short term investments	1,128,286	-	1,128,286	-	1,128,286
Accounts receivable	30,126	-	30,126	-	30,126
Prepaid insurance	48,410	-	48,410	-	48,410
Interfund receivable	-	1,351,937	1,351,937	(1,351,937)	-
Capital assets, net	-	-	-	3,917,287	3,917,287
Total assets	<u>3,474,651</u>	<u>1,351,937</u>	<u>4,826,588</u>	<u>2,565,350</u>	<u>7,391,938</u>
Deferred Outflows of Resources					
Pension related	-	-	-	227,257	227,257
Total assets and deferred outflows of resources	<u>\$ 3,474,651</u>	<u>\$ 1,351,937</u>	<u>\$ 4,826,588</u>	<u>\$ 2,792,607</u>	<u>\$ 7,619,195</u>
<b>Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position</b>					
Current liabilities					
Accounts payable	\$ 942	\$ -	\$ 942	\$ -	\$ 942
Encumbrances payable	130,157	-	130,157	-	130,157
PERS payable	-	-	-	24,596	24,596
Reserve for LOSAP trust	21,530	-	21,530	-	21,530
Compensated absences	115,726	-	115,726	-	115,726
Payroll taxes	4,236	-	4,236	-	4,236
Interfund payable	1,351,937	-	1,351,937	(1,351,937)	-
Improvement authorizations	-	133,108	133,108	(133,108)	-
Total current liabilities	<u>1,624,528</u>	<u>133,108</u>	<u>1,757,636</u>	<u>(1,460,449)</u>	<u>297,187</u>
Other liabilities					
Net pension liability	-	-	-	796,415	796,415
Total liabilities	<u>1,624,528</u>	<u>133,108</u>	<u>1,757,636</u>	<u>(664,034)</u>	<u>1,093,602</u>
Deferred Inflows of Resources					
Pension related	-	-	-	931	931
Fund balances					
Committed					
Capital improvements	-	118,829	118,829	(118,829)	-
Assigned					
Appropriation reserves	373,767	-	373,767	(373,767)	-
Designated for subsequent years' expenditures	255,553	1,100,000	1,355,553	(1,355,553)	-
Unassigned					
General fund	1,220,803	-	1,220,803	(1,220,803)	-
Total fund balances	<u>1,850,123</u>	<u>1,218,829</u>	<u>3,068,952</u>	<u>(3,068,952)</u>	<u>-</u>
Total liabilities, fund balances and deferred inflows of resources	<u>\$ 3,474,651</u>	<u>\$ 1,351,937</u>	<u>\$ 4,826,588</u>		
Net Position					
Net investment in capital assets				3,917,287	3,917,287
Restricted for capital acquisitions				1,351,937	1,351,937
Unrestricted				1,255,438	1,255,438
Total net position				<u>6,524,662</u>	<u>6,524,662</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 2,792,607</u>	<u>\$ 7,619,195</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**December 31, 2015**

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Position
<b>Assets and Deferred Outflows of Resources</b>					
Assets					
Cash	\$ 1,977,282	\$ -	\$ 1,977,282	\$ -	\$ 1,977,282
Short term investments	1,123,145	-	1,123,145	-	1,123,145
Accounts receivable	44,255	61,354	105,609	-	105,609
Prepaid insurance	47,272	-	47,272	-	47,272
Interfund receivable	-	1,465,517	1,465,517	(1,465,517)	-
Capital assets, net	-	-	-	3,989,082	3,989,082
Deferred charges to future taxation	35,003	-	35,003	(35,003)	-
Total assets	3,226,957	1,526,871	4,753,828	2,488,562	7,242,390
Deferred Outflows of Resources					
Pension related	-	-	-	93,031	93,031
Total assets and deferred outflows of resources	<u>\$ 3,226,957</u>	<u>\$ 1,526,871</u>	<u>\$ 4,753,828</u>	<u>\$ 2,581,593</u>	<u>\$ 7,335,421</u>
<b>Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position</b>					
Current liabilities					
Accounts payable	\$ 21,657	\$ -	\$ 21,657	\$ -	\$ 21,657
Encumbrances payable	173,054	386,283	559,337	-	559,337
PERS payable	-	-	-	23,521	23,521
Reserve for LOSAP trust	1,325	-	1,325	-	1,325
Reserve for fire academy burn building	-	61,354	61,354	-	61,354
Compensated absences	114,758	-	114,758	-	114,758
Payroll taxes	3,048	-	3,048	-	3,048
Interfund payable	1,465,517	-	1,465,517	(1,465,517)	-
Improvement authorizations	-	134,155	134,155	(134,155)	-
Total current liabilities	1,779,359	581,792	2,361,151	(1,576,151)	785,000
Other liabilities					
Net pension liability	-	-	-	595,893	595,893
Total liabilities	<u>1,779,359</u>	<u>581,792</u>	<u>2,361,151</u>	<u>(980,258)</u>	<u>1,380,893</u>
Deferred inflows of Resources					
Pension related	-	-	-	10,762	10,762
Fund balances					
Committed					
Capital improvements	-	862,579	862,579	(862,579)	-
Assigned					
Appropriation reserves	305,234	-	305,234	(305,234)	-
Designated for subsequent years' expenditures	-	82,500	82,500	(82,500)	-
Unassigned					
General fund	1,142,364	-	1,142,364	(1,142,364)	-
Total fund balances	<u>1,447,598</u>	<u>945,079</u>	<u>2,392,677</u>	<u>(2,392,677)</u>	<u>-</u>
Total liabilities, fund balances and deferred inflows of resources	<u>\$ 3,226,957</u>	<u>\$ 1,526,871</u>	<u>\$ 4,753,828</u>		
Net Position					
Net investment in capital assets				3,624,943	3,624,943
Restricted for capital acquisitions				1,443,373	1,443,373
Unrestricted				875,450	875,450
Total net position				<u>5,943,766</u>	<u>5,943,766</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 2,581,593</u>	<u>\$ 7,335,421</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Statement of Revenues, Expenses and Changes in Governmental**  
**Fund Balances and Net Position**  
**Year Ended December 31, 2016**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
<b>Expenditures</b>					
Operating appropriations	\$ 2,385,260	\$ -	\$ 2,385,260	\$ 335,132	\$ 2,720,392
Capital appropriations	<u>571,603</u>	<u>-</u>	<u>571,603</u>	<u>(571,603)</u>	<u>-</u>
Total expenditures	2,956,863	-	2,956,863	(236,471)	2,720,392
<b>Revenues and other financing sources</b>					
<b>General revenues:</b>					
District taxes	3,228,231	-	3,228,231	-	3,228,231
Supplemental fire services grant	9,898	-	9,898	-	9,898
Interest income	15,659	-	15,659	-	15,659
Miscellaneous revenue	23,100	-	23,100	24,400	47,500
Fund balance utilized - restricted	<u>82,500</u>	<u>-</u>	<u>82,500</u>	<u>(82,500)</u>	<u>-</u>
Total general revenues	3,359,388	-	3,359,388	(58,100)	3,301,288
<b>Transfers:</b>					
Reserve for future capital outlays	-	356,250	356,250	(356,250)	-
Capital fund balance utilized	<u>-</u>	<u>(82,500)</u>	<u>(82,500)</u>	<u>82,500</u>	<u>-</u>
Total transfers	<u>-</u>	<u>273,750</u>	<u>273,750</u>	<u>(273,750)</u>	<u>-</u>
Total general revenues and transfers	<u>3,359,388</u>	<u>273,750</u>	<u>3,633,138</u>	<u>(331,850)</u>	<u>3,301,288</u>
Excess of revenue and transfers over expenditures	402,525	273,750	676,275	(676,275)	-
Changes in net position	-	-	-	580,896	580,896
<b>Fund balances / net position</b>					
Beginning of year	<u>1,447,598</u>	<u>945,079</u>	<u>2,392,677</u>	<u>3,551,089</u>	<u>5,943,766</u>
End of year	<u>\$ 1,850,123</u>	<u>\$ 1,218,829</u>	<u>\$ 3,068,952</u>	<u>\$ 3,455,710</u>	<u>\$ 6,524,662</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Statement of Revenues, Expenses and Changes in Governmental**  
**Fund Balances and Net Position**  
**Year Ended December 31, 2015**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
<b>Expenditures</b>					
Operating appropriations	\$ 2,361,808	\$ -	\$ 2,361,808	\$ 691,668	\$ 3,053,476
Capital appropriations	<u>1,366,198</u>	<u>-</u>	<u>1,366,198</u>	<u>(1,366,198)</u>	<u>-</u>
Total expenditures	3,728,006	-	3,728,006	(674,530)	3,053,476
<b>Revenues and other financing sources</b>					
<b>General revenues:</b>					
District taxes	3,356,174	-	3,356,174	-	3,356,174
Supplemental fire services grant	9,899	-	9,899	-	9,899
Interest income	13,397	-	13,397	-	13,397
Miscellaneous revenue	14,886	-	14,886	-	14,886
Fund balance utilized - restricted	<u>616,667</u>	<u>-</u>	<u>616,667</u>	<u>(616,667)</u>	<u>-</u>
Total general revenues	4,011,023	-	4,011,023	(616,667)	3,394,356
<b>Transfers:</b>					
Reserve for future capital outlays	-	208,750	208,750	(208,750)	-
Capital fund balance utilized	<u>-</u>	<u>(616,667)</u>	<u>(616,667)</u>	<u>616,667</u>	<u>-</u>
Total transfers	<u>-</u>	<u>(407,917)</u>	<u>(407,917)</u>	<u>407,917</u>	<u>-</u>
Total general revenues and transfers	<u>4,011,023</u>	<u>(407,917)</u>	<u>3,603,106</u>	<u>(208,750)</u>	<u>3,394,356</u>
Excess (deficit) of revenue and transfers over expenditures	283,017	(407,917)	(124,900)	124,900	-
Changes in net position	-	-	-	340,880	340,880
<b>Fund balances / net position:</b>					
Beginning of year	<u>1,164,581</u>	<u>1,352,996</u>	<u>2,517,577</u>	<u>3,085,309</u>	<u>5,602,886</u>
End of year	<u>\$ 1,447,598</u>	<u>\$ 945,079</u>	<u>\$ 2,392,677</u>	<u>\$ 3,551,089</u>	<u>\$ 5,943,766</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The accounting policies of the Toms River Fire Commissioners, District No. 2 (District) conform to the accounting principles generally accepted in the United States of America and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2016 and 2015, the financial statements of the Toms River Fire Commissioners, District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

The district is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

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 the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the fiscal 2016 and 2015 year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**Basis of Presentation**

*Combined Fund and Government-wide Financial Statements*

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

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. 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". The District does not maintain any proprietary or fiduciary funds.

Governmental Fund Types

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

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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*Capital Fund:* The capital fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities and firefighting equipment. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net position.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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. Significant estimates include the useful lives of capital assets, depreciation expense, and the net pension liability.

**Basis of Accounting**

*Fund Basis of Accounting*

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable 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. 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.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

*Government-wide Basis of Accounting*

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**Budgets/Budgetary Control**

Annual budgets are prepared each year for the operations of the fire districts. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public. The budgetary transfers may be made during the last two months of the year.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

**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. Specific encumbrances in governmental funds are reported as liabilities at year end as they constitute expenditures or rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the following year. The balance of the unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for the unexpended appropriations of the prior year.

**Fixed Assets**

In the fund financial statements, fixed assets used in governmental operations are accounted for as expenditures of the government fund upon acquisition.

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$5,000 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

The cost of normal maintenance and repairs that do not add the value to the asset or materially extended asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when projects are constructed. Interest incurred during construction is not capitalized.

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position with accumulated depreciation reflected in the Statement of Net Position and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 5 years for general purpose vehicles, 5-10 years for firefighting equipment, 15-20 years for firefighting vehicles and 39 years for leasehold improvements.

**Impairment of Capital Assets**

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the District assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2016 and 2015 management has determined that there was no impairment of capital assets.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**Interfund Transactions and Balances**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statement of Net Position and Governmental Funds Balance Sheet.

**Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund. For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**Deferred Outflows/Inflows of Resources**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. Deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District's deferred outflows and deferred inflows are a result of its participation in the pension plan (see Note 8).

**Net Position**

*Fund Basis*

Fund balance is reported in classifications depicting the relative strength of the constraint that controls how specific amounts can be spent. Classifications are as follow:

- Nonspendable – includes amounts that are not in a spendable form or not expected to be converted to cash (inventory, for example) or are legally and contractually required to be maintained intact (principal of an endowment fund, for example).
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors, contributors, creditors, or law or regulations of other governments or through enabling legislation that creates a new revenue source and restricts its use. Restrictions may be changed or lifted with the consent of resource providers.
- Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Commissioners. The constraint can only be removed or changed by taking the same type of action the District employed to commit those amounts. Such formal action consists of an affirmative vote by the Board of Commissioners.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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- Assigned – comprises amounts intended to be used by the District for specific purposes, but are neither restricted nor committed. Intent is expressed by the District Board of Commissioners.
- Unassigned – this is the residual amount for the General Fund, and represents fund balance that has not been restricted, committed, or assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, it may be necessary to report a negative unassigned fund balance.

*Government-wide Basis*

Net position is displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation.
- Restricted for capital acquisitions – Current balance consists of net position restricted for the expansion of the fire house, fire truck, brush truck and equipment.
- Unrestricted net position – All net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

**Advertising**

The District expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2016 and 2015 approximated \$1,600 and \$1,900, respectively.

**2. ADJUSTMENTS TO ARRIVE AT NET POSITION**

**Capital Assets – Net and Net Investment in Capital Assets**

For the years ended December 31, 2016 and 2015 capital assets, net in the amount of \$3,917,287 and \$3,989,082, respectively, and net investment in capital assets in the amount of \$3,917,287 and \$3,624,943, respectively, have been included in the government-wide presentation.

**Interfund Receivables and Payables**

For the years ended December 31, 2016 and 2015 interfund receivables and payables in the amount of \$1,351,937 and \$1,465,517, respectively, have been eliminated in arriving at the government-wide presentation.

**Fund Balances, Unrestricted Net Position, and Net Position Restricted for Capital Acquisitions**

For the years ended December 31, 2016 and 2015 fund balances in the amount of \$3,068,952 and \$2,392,677, respectively, have been eliminated. Unrestricted net position in the amount of \$1,255,438 and \$875,450, respectively, and net position restricted for capital acquisitions in the amount of \$1,351,937 and \$1,443,373, respectively, has been included in the government-wide presentation.

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**Improvement Authorizations**

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balance for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2016 and 2015, improvement authorizations in the amount of \$133,108 and \$134,155, respectively, have been eliminated in arriving at the government-wide presentation.

**Deferred Charges to Future Taxation**

For the years ended December 31, 2016 and 2015, amounts to be provided for future budget in the amount of \$- and \$35,003, respectively, have been eliminated in arriving at the government-wide presentation.

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

For accrual basis of accounting, a payable to a defined benefit pension plan is recognized on the face of the financial statements. Therefore, for the years ended December 31, 2016 and 2015, PERS payable in the amount of \$24,596 and \$23,521, respectively, have been included in the government-wide presentation.

**Deferred Outflows/Inflows of Resources**

Deferred outflows and inflows of resources related to pensions are future expense and revenue for GAAP purposes and not for budgetary purposes. Therefore, for the years ended December 31, 2016 and 2015 the deferred outflows of resources in the amounts of \$227,257 and \$93,031, respectively, and deferred inflows of resources in the amounts of \$931 and \$10,762, respectively, have been included in government-wide presentation.

**Net Pension Liability**

For GAAP purposes net pension liability is an accrual expense for future payments. It is not due in the current period for budgetary purposes. Therefore, for the years ended December 31, 2016 and 2015 the net pension liability in the amounts of \$796,415 and \$595,893, respectively, have been included in the government-wide presentation.

**3. ADJUSTMENTS TO ARRIVE AT THE CHANGES IN NET POSITION**

**Operating Appropriations**

For the year ended December 31, 2016, depreciation expense in the amount of \$270,982 has been included in the government-wide presentation. To account for fixed asset purchases expensed under the fund basis of accounting, non-bondable fire equipment has been decreased by \$52,612 and office expense has been decreased by \$5,980. Additionally, to account for expenditures applied to improvement authorizations under the fund basis of accounting, joint board expenses has been increased by \$65,202. Fringe benefits has been increased by \$1,075 for the changes between prior year and current year PERS contribution not made at the end of year and pension expense, net has been increased by \$56,465. The net effect on operating appropriations is an increase of \$335,132.

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For the year ended December 31, 2015, depreciation expense in the amount of \$254,558 has been included in the government-wide presentation. To account for fixed asset purchases expensed under the fund basis of accounting, non-bondable fire equipment has been decreased by \$27,202 and utilities and building maintenance has been decreased by \$17,000. Additionally, to account for expenditures applied to improvement authorizations under the fund basis of accounting, joint board expenses has been increased by \$438,434. Fringe benefits has been increased by \$23,521 for current year PERS contribution not made at the end of year and pension expense, net has been increased by \$19,357. The net effect on operating appropriations is an increase of \$691,668.

**Capital Appropriations**

For the year ended December 31, 2016 reserve for future capital outlays and related transfers have been reduced by \$356,250 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations. Additionally, capital projects have been reduced by \$215,353 to eliminate the general fund and capital fund expenditures related to the creation of improvement authorizations. The net effect on capital appropriations and related transfers is a decrease of \$215,353.

For the year ended December 31, 2015 reserve for future capital outlays and related transfers have been reduced by \$208,750 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations. . Additionally, capital projects have been reduced by \$1,157,448 to eliminate the general fund and capital fund expenditures related to the creation of improvement authorizations. The net effect on capital appropriations and related transfers is a decrease of \$1,157,448.

**Gain on Disposition of Capital Assets**

Non-cash trade-in value for new purchase of capital assets is not reported in the funds for budgetary purposes. For GAAP purposes, the net book value of the assets, \$24,400 and \$-, respectively, is included on the government-wide presentation for the years ended December 31, 2016 and 2015 to reflect the net gain on disposition of assets.

**4. DEPOSITS AND INVESTMENTS**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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

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The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners consists of all banks.

As of December 31, 2016 and 2015 the District's cash accounts consisted of:

	<b>2016</b>	<b>2015</b>
Santander – Check	\$ 27,562	\$ 12,564
Santander – Money Market	2,216,007	1,953,022
Santander – Payroll	23,660	11,328
Santander – Pension Account	<u>600</u>	<u>368</u>
Total Cash	<u>\$ 2,267,829</u>	<u>\$ 1,977,282</u>

The carrying amount of the Board's cash and cash equivalents at December 31, 2016 was \$2,267,829 and the bank balance was \$2,423,137. Of the balance, \$250,000 was covered by federal depository insurance and \$2,173,137 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the District's name	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	2,173,137
Category 3	Cash which are not collateralized or insured	-

Investments

New Jersey statutes establish the following securities as eligible for the investment of District funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.

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- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2016 and 2015, no such investments were held by the District.

As of December 31, 2016 and 2015, the District's investments consisted of:

	<b>2016</b>	<b>2015</b>
Certificates of Deposit:		
M&T Bank	\$ 238,032	\$ 236,326
Investors	84,604	84,432
Shore Community	86,342	85,653
Kearney Federal Savings	87,085	86,696
Manasquan Savings	173,809	172,229
Santander Bank	229,004	228,540
Sun National	<u>229,410</u>	<u>229,269</u>
Total Investments	<u>\$ 1,128,286</u>	<u>\$ 1,123,145</u>

The certificates of deposits have terms ranging from 5 months to 13 months, with interest rate ranging from 0.20% to 1.04% and mature in various months of 2017. These CD's are covered by the FDIC.

**Fair Value Measurements**

Pursuant to the requirements of the accounting standard related to fair value measurements, the District has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2016 and 2015, along with the basis for the determination of fair value:

	<b><u>Basis for Valuation</u></b> <b><u>Observable Measurement Criteria</u></b> <b><u>(Level 2)</u></b>
Certificates of Deposit - 2016	\$ <u>1,128,286</u>
Certificates of Deposit - 2015	\$ <u>1,123,145</u>

For applicable assets and liabilities subject to this pronouncement, the District will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the District will next attempt to value such assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the District will develop measurement criteria based on the best information available (Level 3).

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**5. ASSESSMENT AND COLLECTION OF MONEY AUTHORIZED BY VOTERS**

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-79), the assessor of the municipality, in which the fire district is situate, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situate, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire districts moneys by which an amount greater than required on any of the first three payment dates cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required in any of the first three payment dates, cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back to such municipality, any funds or any part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

**6. FUNDING**

The activities of the Toms River Fire Commissioners, District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2016 and 2015, the fire tax rate on Fire District No. 2 was \$.072 and \$.075, respectively, per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in certificates of deposit and savings during the year.

The District participates in the Supplemental Fire Services Program and received a basic entitlement grant of \$9,898 and \$9,899 for the years ended December 31, 2016 and 2015, respectively.

**7. AWARDS PROGRAM AND LOSAP**

The district maintains an Awards Program for payments to certain retired personnel. This program is administered by the Commissioners of the District. The payments for 2016 and 2015 were \$3,600 each year.

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Effective July 1, 1993 the Board of Commissioners began a Length of Service Pension Program. The District maintains a LOSAP in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Program permits the District to provide tax-deferred income benefits to active volunteer members of an emergency service organization. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Program and all income attributed to those amounts are the exclusive property of the Fire District, subject to the claims of its general creditors. Participants' rights under the Program are equal to those of a general creditor of the Fire District in an amount equal to the fair market value of the deferred account for each participant. It is unlikely that the Fire District would use Program assets to satisfy claims of the general creditors in the future.

The District has Glatfelter Specialty Benefits, its agent, to administer its LOSAP program. Contributions by the district to this program have been made each year since its inception. The amount of contributions for 2016 and 2015 were \$234,695 and \$227,055 respectively. In 2016, the district under expended funds resulted in an increase in the reserve by \$20,205, and in 2015, the district over expended funds resulted in a decrease in the reserve by \$655. Since this plan is administered by an outside insurance company, it was not made part of this audit. Detail of this program can be obtained from Toms River Fire Commissioners, District No. 2 upon request.

**8. PENSION PLAN**

Employees of the District that are eligible, participate in the State of New Jersey, Public Employees' Retirement System ("PERS"). PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits ("Division"). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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

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

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

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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.

Employer and Employee Contributions

The contribution policy for PERS is set by N.J.S.A. 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. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. During the years ended December 31, 2016 and 2015, the PERS received employer and employee contributions as follows:

	<b>2016</b>		<b>2015</b>
Employer contributions	\$ 24,596	\$	23,521
Employee contributions	\$ 13,636	\$	13,062
Salary basis for contributions	\$ 191,243	\$	186,873
Percent of base wages	7.06% - 7.20%		6.92% - 7.06%

Summary of Significant Accounting Policies

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

Although the division administers one cost-sharing multiple-employer plan, separate (sub) valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date; therefore, the District has elected to utilize June 30, 2016 and 2015 as the measurement dates, respectively.

The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At December 31, the District's proportionate share and net pension liability was as follows:

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	<b>2016</b>		<b>2015</b>
PERS net pension liability (Local Group)	\$ 29,617,131,759	\$	22,447,996,119
District net pension liability	\$ 796,415	\$	595,893
District's proportion	0.0026890349%		0.0026545487%

Pension expense, net is comprised of the following at December 31:

	<b>2016</b>		<b>2015</b>
Proportionate share of allocable plan pension expense	\$ 76,035	\$	39,091
Pension expense related to specific liabilities of individual employers	(23,888)		(22,822)
Net amortization of deferral amounts from changes in proportion	4,318		3,088
Other changes	-		-
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ 56,465</u>	<u>\$</u>	<u>19,357</u>

At December 31, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<b>2016</b>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 164,975	\$ -
Difference between expected and actual experience	14,811	-
Net difference between projected and actual earnings on pension plan investments	30,368	-
Changes in proportion and differences between the District contributions and proportionate share of contributions	17,103	931
District contributions subsequent to the measurement date	-	-
	<u>\$ 227,257</u>	<u>\$ 931</u>

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	2015	
	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 63,994	\$ -
Difference between expected and actual experience	14,216	
Net difference between projected and actual earnings on pension plan investments	-	9,581
Changes in proportion and differences between the District contributions and proportionate share of contributions	14,821	1,181
District contributions subsequent to the measurement date	-	-
	<u>\$ 93,031</u>	<u>\$ 10,762</u>

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

Years Ended December 31:	PERS Deferred Outflows/Inflows, Net (Local Group)		District Share
2017	\$ 1,759,522,489	\$ 50,955	
2018	1,759,522,489	50,955	
2019	2,038,465,810	59,033	
2020	1,712,609,385	49,597	
2021	545,084,612	15,786	
	<u>\$ 7,815,204,785</u>	<u>\$ 226,326</u>	

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2016	2015
Inflation rate	3.08%	3.04%
Salary increases from 2012-2021	1.65 - 4.15%	2.15 - 4.40%
Thereafter	based on age 2.65 - 5.15%	based on age 3.15 - 5.40%
Investment rate of return	7.65%	7.90%

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.

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Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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).

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65 percent at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S treasuries	1.50%	1.74%
Investment grade credits	8.00%	1.79%
Mortgages	2.00%	1.67%
High yield bonds	2.00%	4.56%
Inflation-indexed bonds	1.50%	3.44%
Broad US equities	26.00%	8.53%
Developed foreign equities	13.25%	6.83%
Emerging market equities	6.50%	9.95%
Private equity	9.00%	12.40%
Hedge funds / absolute return	12.50%	4.68%
Real estate (property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98 percent and 4.90 percent as of December 31, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65 percent, and a municipal bond rate of 2.85 percent and 3.80 percent as of June 30, 2016 and 2015, respectively, 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 30 percent of the actuarially determined contributions and the local employers contributed 100 percent 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 2034.

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Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net pension liability measured as of December 31, 2016 and 2015, calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability (local group) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>2016</u>		
	<u>At 1 % decrease (2.98%)</u>	<u>At current discount rate (3.98%)</u>	<u>At 1% increase (4.98%)</u>
PERS as a whole (Local Group)	<u>\$ 36,292,338,055</u>	<u>\$ 29,617,131,759</u>	<u>\$ 24,106,170,190</u>
District's proportionate share of the net pension liability	<u>\$ 975,914</u>	<u>\$ 796,415</u>	<u>\$ 648,223</u>
	<u>2015</u>		
	<u>At 1 % decrease (3.90%)</u>	<u>At current discount rate (4.90%)</u>	<u>At 1% increase (5.90%)</u>
PERS as a whole (Local Group)	<u>\$ 27,900,112,533</u>	<u>\$ 22,447,996,119</u>	<u>\$ 17,876,981,108</u>
District's proportionate share of the net pension liability	<u>\$ 740,622</u>	<u>\$ 595,893</u>	<u>\$ 474,553</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report which can be found at the following link: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**9. CAPITAL ASSETS**

The following schedules are a summarization of the capital assets by source for the years ended December 31, 2016 and 2015:

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**Notes to Financial Statements**  
**December 31, 2016 and 2015**

Description	December 31, 2015	Additions	Transfers/ Disposal	December 31, 2016
Capital assets not being depreciated:				
Land	\$ 21,400	\$ -	\$ -	\$ 21,400
Construction in progress	663,894	16,692	(680,586)	-
Total	685,294	16,692	(680,586)	21,400
Capital assets being depreciated:				
Buildings	1,119,468	-	-	1,119,468
Machinery & equipment	475,158	58,593	13,879	547,630
Fire apparatus	4,529,538	123,902	310,695	4,964,135
Total	6,124,164	182,495	324,574	6,631,233
Less accumulated depreciation:				
Buildings	443,907	29,119	-	473,026
Machinery & equipment	380,679	26,058	(13,323)	393,414
Fire apparatus	1,995,790	215,805	(342,689)	1,868,906
Total	2,820,376	270,982	(356,012)	2,735,346
Total capital assets being depreciated, net	3,303,788	(88,487)	680,586	3,895,887
Net capital assets	<u>\$ 3,989,082</u>	<u>\$ (71,795)</u>	<u>\$ -</u>	<u>\$ 3,917,287</u>

Description	December 31, 2014	Additions	Transfers/ Disposal	December 31, 2015
Capital assets not being depreciated:				
Land	\$ 21,400	\$ -	\$ -	\$ 21,400
Construction in progress	42,612	672,899	(51,617)	663,894
Total	64,012	672,899	(51,617)	685,294
Capital assets being depreciated:				
Buildings	1,102,468	17,000	-	1,119,468
Machinery & equipment	475,158	-	-	475,158
Fire apparatus	4,792,331	-	(262,793)	4,529,538
Total	6,369,957	17,000	(262,793)	6,124,164
Less accumulated depreciation:				
Buildings	415,425	28,482	-	443,907
Machinery & equipment	356,581	24,098	-	380,679
Fire apparatus	2,108,222	201,978	(314,410)	1,995,790
Total	2,880,228	254,558	(314,410)	2,820,376
Total capital assets being depreciated, net	3,489,729	(237,558)	51,617	3,303,788
Net capital assets	<u>\$ 3,553,741</u>	<u>\$ 435,341</u>	<u>\$ -</u>	<u>\$ 3,989,082</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$270,982 and \$254,558, respectively.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**10. JOINT VENTURE**

Several functions of the two Fire Districts of the Township of Toms River are performed on a pooled or shared basis. Expenditures are paid by District No. 1. The allocated portion of the disbursements is billed for reimbursement to District No. 2. This allocation is determined by a formula based on the ratio agreed upon by both districts. The joint activities produce revenues from fees charged at the Fire Academy and from fire inspection fees. The revenues are returned to each District based on their boundary of collections. For the years ended December 31, 2016 and 2015 expenditures, net of revenues, were \$694,997 and \$671,393, respectively.

The Board of commissioners of Fire District No. 1 has been designated as the "lead agency". As such, it is responsible for the bookkeeping of the joint activities.

**11. VESTED EMPLOYEE BENEFITS**

In accordance with GASB – 16 and NCGA – 1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund. For the years ended December 31, 2016 and 2015, the vested balances were \$115,726 and \$114,758, respectively.

**12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**13. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after December 31, 2016 through the date of September 22, 2017, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that the following subsequent events require disclosure in the financial statements.

2000 GPM Pumper Engine Truck

The District received voter approval on February 20, 2016 to purchase a new pumper truck at a total cost not to exceed \$650,000. In June 2017, the District entered a \$598,000 contract agreement with Rosenbauer, Inc. for this new pumper truck.

**SUPPLEMENTARY INFORMATION**

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Schedule of the District's Proportionate Share of the Net Pension Liability –**  
**Public Employees' Retirement System (PERS)**  
**Year Ended December 31, 2016 Through 2014**

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	2016	2015	2014
District's proportionate share of the net pension liability (Local Group)	0.0026890349%	0.0026545487%	0.0012828779%
District's proportionate share of the net pension	\$ 796,415	\$ 595,893	\$ 498,396
District's covered-employee payroll	\$ 191,243	\$ 186,873	\$ 180,175
Liability as a percentage of it's covered-employee payroll	416%	319%	277%
Plan fiduciary net position as a percentage of the total pension liability (Local Group)	40.14%	47.93%	52.08%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Benefit Changes**

None

**Changes of Assumptions**

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

See Independent Auditors' Report.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Schedule of the District's Contributions**  
**Public Employees' Retirement System (PERS)**  
**Year Ended December 31, 2016 Through 2014**

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	2016	2015	2014
Contractually required contributions			
Regular pension and non-contributory group			
insurance contribution	\$ 23,889	\$ 22,822	\$ 21,945
Chapter 19 P.L. 2009 contribution	707	699	695
	<u>24,596</u>	<u>23,521</u>	<u>22,640</u>
Contributions in relation to the			
contractually required contribution	<u>(24,596)</u>	<u>(23,521)</u>	<u>(22,640)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Percent of base wages	7.06% - 7.20%	6.92% - 7.06%	6.78% - 6.92%
District's covered-employee payroll	\$ 191,243	\$ 186,873	\$ 180,175
Contributions as a percentage of the			
District's covered-employee payroll	12.86%	12.59%	12.57%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

See Independent Auditors' Report.

**Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual – All Governmental Fund Types  
Year Ended December 31, 2016**

	Governmental Fund Type		Total Actual Amounts		Budgeted Amounts		Budgetary Variance	
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original		Final
<b>Revenues:</b>								
District taxes	\$ 3,228,231	-	\$ 3,228,231	\$ -	\$ 3,228,231	\$ 3,228,231	\$ 3,228,231	\$ -
Supplemental fire services grant	9,898	-	9,898	-	9,898	9,899	9,899	(1)
Interest income	15,659	-	15,659	-	15,659	10,000	10,000	5,659
Miscellaneous revenue	23,100	-	23,100	24,400 (1)	47,500	-	-	23,100
Fund balance utilized - restricted	82,500	-	82,500	(82,500)	-	82,500	82,500	-
Total revenues	3,359,388	-	3,359,388	(58,100)	3,301,288	3,330,630	3,330,630	28,758
<b>Transfers:</b>								
Capital fund balance utilized	-	(82,500)	(82,500)	82,500	-	-	-	(82,500)
Reserve for future capital outlays	-	356,250	356,250	(356,250)	-	-	-	356,250
Total transfers	-	273,750	273,750	(273,750)	-	-	-	273,750
Total general revenues and transfers	3,359,388	273,750	3,633,138	(331,850)	3,301,288	3,330,630	3,330,630	302,508
<b>Expenditures:</b>								
Operating appropriations:								
Administration:								
Elections	8,445	-	8,445	-	8,445	9,000	9,000	555
Office expenses	12,430	-	12,430	(5,980) (1)	6,450	22,700	22,700	10,270
Professional services	23,016	-	23,016	-	23,016	36,000	36,000	12,984
Travel expenses	9,014	-	9,014	-	9,014	11,000	11,000	1,986
Dues	1,697	-	1,697	-	1,697	4,000	4,000	2,303
Communication expenses	-	-	-	-	-	2,800	2,800	2,800
Advertising	1,629	-	1,629	-	1,629	2,000	2,000	371
Telephone and opticom	2,910	-	2,910	-	2,910	8,500	8,500	5,590
Total administration	59,141	-	59,141	(5,980)	53,161	96,000	96,000	36,859

See Independent Auditors' Report.  
The accompanying Notes to Supplementary Information are an integral part of this statement.

**Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual – All Governmental Fund Types  
Year Ended December 31, 2016**

	Governmental Fund Type		Total Actual Amounts		Budgeted Amounts		Budgetary Variance	
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original		Final
Operations and maintenance:								
Salary and wages:								
Commissioners	54,431	-	54,431	-	54,431	78,185	78,185	23,754
Administrator and secretarial	201,783	-	201,783	-	201,783	211,244	211,244	9,461
Total salary and wages	256,214	-	256,214	-	256,214	289,429	289,429	33,215
Fringe benefits:								
LOSAP	258,500	-	258,500	-	258,500	258,500	258,500	-
Fringe benefits	66,868	-	66,868	1,075 (1)	67,943	68,046	68,046	1,178
Total fringe benefits	325,368	-	325,368	1,075	326,443	326,546	326,546	1,178
Contractual:								
Fire hydrant service on rentals	256,100	-	256,100	-	256,100	265,000	265,000	8,900
Contracted services provided by volunteer fire companies	57,346	-	57,346	-	57,346	61,930	61,930	4,584
Total contractual	313,446	-	313,446	-	313,446	326,930	326,930	13,484
Other expenses:								
Training	5,922	-	5,922	-	5,922	15,500	15,500	9,578
Insurance and health protection	155,673	-	155,673	-	155,673	200,000	200,000	44,327
Registrations, licenses and fees	959	-	959	-	959	2,100	2,100	1,141
Uniforms	63,950	-	63,950	-	63,950	64,000	64,000	50
Supplies	458	-	458	-	458	12,000	12,000	11,542
Equipment repairs	42,852	-	42,852	-	42,852	38,000	38,000	(4,852)
Vehicle maintenance	77,665	-	77,665	-	77,665	88,000	88,000	10,335
Other rental charges	104,724	-	104,724	-	104,724	104,724	104,724	-
Contingent expenses	88	-	88	-	88	1,000	1,000	912
Non-bondable - radios	28,471	-	28,471	-	28,471	26,000	35,000	6,529
Non-bondable - fire equipment	198,912	-	198,912	(52,612) (1)	146,300	207,500	198,500	(412)
Non-bondable - scuba and fire rescue	5,245	-	5,245	-	5,245	15,000	15,000	9,755
First aid	10,000	-	10,000	-	10,000	10,000	10,000	-

**See Independent Auditors' Report.**

The accompanying Note to Supplementary Information are an integral part of this statement.

**Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual – All Governmental Fund Types  
Year Ended December 31, 2016**

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts			Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final		
Joint board expenses	694,997	-	694,997	65,202 (1)	760,199	866,598	866,598	171,601	
Gas and oil	13,211	-	13,211	-	13,211	30,000	30,000	16,789	
Physicals and fitness	8,151	-	8,151	-	8,151	14,000	14,000	5,849	
Utilities and building maintenance	19,813	-	19,813	-	19,813	25,700	25,700	5,887	
Pension expense, net	-	-	-	56,465 (1)	56,465	-	-	-	
Depreciation expense	-	-	-	270,982 (1)	270,982	-	-	-	
Total other expenses	<u>1,431,091</u>	<u>-</u>	<u>1,431,091</u>	<u>340,037</u>	<u>1,771,128</u>	<u>1,720,122</u>	<u>1,720,122</u>	<u>289,031</u>	
Total operations and maintenance	<u>2,326,119</u>	<u>-</u>	<u>2,326,119</u>	<u>341,112</u>	<u>2,667,231</u>	<u>2,663,027</u>	<u>2,663,027</u>	<u>336,908</u>	
Total operating appropriations	<u>2,385,260</u>	<u>-</u>	<u>2,385,260</u>	<u>335,132</u>	<u>2,720,392</u>	<u>2,759,027</u>	<u>2,759,027</u>	<u>373,767</u>	
Capital appropriations:									
Reserve for future capital outlays	356,250	-	356,250	(356,250)	-	356,250	356,250	-	
Capital projects	215,353	-	215,353	(215,353) (1)	-	215,353	215,353	-	
Total capital appropriations	<u>571,603</u>	<u>-</u>	<u>571,603</u>	<u>(571,603)</u>	<u>-</u>	<u>571,603</u>	<u>571,603</u>	<u>-</u>	
Total expenditures	<u>2,956,863</u>	<u>-</u>	<u>2,956,863</u>	<u>(236,471)</u>	<u>2,720,392</u>	<u>3,330,630</u>	<u>3,330,630</u>	<u>373,767</u>	
Excess of revenues and transfers over expenditures	402,525	273,750	676,275	(676,275)	-	-	-	<u>\$ 676,275</u>	
Changes in net position	-	-	-	580,896	580,896	-	-	-	
Fund balances/net position, beginning of the year	<u>1,447,598</u>	<u>945,079</u>	<u>2,392,677</u>	<u>3,551,089 (2)</u>	<u>5,943,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances/net position, end of year	<u>\$ 1,850,123</u>	<u>\$ 1,218,829</u>	<u>\$ 3,068,952</u>	<u>\$ 3,455,710</u>	<u>\$ 6,524,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See Independent Auditors' Report.  
The accompanying Note to Supplementary Information are an integral part of this statement.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Supplementary Information**  
**Year Ended December 31, 2016**

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**A. BUDGETARY BASIS OF ACCOUNTING**

There are no substantial differences between the District's budgetary basis of accounting and the fund basis of accounting described below.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable 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. 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.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

**B. BUDGETARY-TO-GAAP RECONCILIATION**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>Change in Fund Balance</u>
(1) Expenditures for long-lived assets are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, the assets are capitalized in the year purchased and depreciated over the life of the asset.	\$ 58,592
Capital projects approved in the current year budget are reported as expenses in the year the funds are designated by voter election. For GAAP purposes, expenses are recorded when actual invoices are received. During 2016, \$65,202 was invoiced and paid to the joint board that related to capital projects.	150,151
Non-cash trade-in value for new purchase of capital assets is not reported in the fund for budgetary purposes. For GAAP purposes, the trade-in value is reduced by the book value to reflect the net gain.	24,400
For GAAP purposes, current year pension contribution not made at the end of year and pension expense, net are charged to expense. For budgetary purpose, they are expenditures when made.	(57,540)
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	<u>(270,982)</u>
Net decrease in fund balance – budget to GAAP	(95,379)

See Independent Auditors' Report.

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Notes to Supplementary Information**  
**Year Ended December 31, 2016**

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(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.

3,551,089  
\$ 3,455,710

**C. BUDGET CANCELLATION**

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2016, the District canceled no appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 3,330,630
Expenditures	<u>2,956,863</u>
Favorable variance	373,767
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 373,767</u>

**Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey  
Schedule of Improvement Authorizations - Capital Fund  
Year Ended December 31, 2016**

Purpose	Authorized Appropriation Date	Amount	Balance		2016 Authorization	2015 Encumbrances Payable	2016 Paid/Charged	2016 Transfers	Balance December 31, 2016
			December 31, 2015	December 31, 2016					
<b><u>DISTRICT NO. 2</u></b>									
Aerial truck	02/18/12	\$ 800,000	\$ 1,875	\$ -	-	-	\$ -	-	\$ 1,875
Commissioners' Office	02/18/12	400,000	43	-	-	-	-	-	43
Utility Body	02/16/13	55,000	3,383	-	-	-	-	(3,383)	-
Pumper truck	02/15/14	650,000	13,309	-	364,139	380,831	3,383	-	-
Two Chiefs' Vehicles	02/21/16	110,000	-	110,000	-	99,502	14,020	-	24,518
Subtotal		2,015,000	18,610	110,000	364,139	480,333	14,020	-	26,436
<b><u>JOINT BOARD CAPITAL</u></b>									
Fire academy - HVAC system and generator	02/18/12	36,750	17,360	-	-	-	(14,020)	-	3,340
Fire academy - roof, windows & electrical	02/16/13	29,750	16,653	-	-	10,821	-	-	5,832
Fire academy - replacement of burn building	09/06/14	446,998	32,782	-	22,144	54,926	-	-	-
Fire dispatch - consoles upgrades	02/15/14	97,500	48,750	48,750	-	-	-	-	97,500
Fire Prevention Bureau Vehicle	02/21/15	21,600	-	21,600	-	21,600	-	-	-
Subtotal		632,598	115,545	70,350	22,144	87,347	(14,020)	-	106,672
Grand total		\$ 2,647,598	\$ 134,155	\$ 180,350	\$ 386,283	\$ 567,680	\$ -	\$ -	\$ 133,108
			Cash disbursements			\$ 567,680			
			Encumbrances payable			-			
						\$ 567,680			

See Independent Auditors' Report.



**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Schedule of Fund Balance – Capital Fund**  
**Year Ended December 31, 2016**

Purpose	Balance December 31, 2015	2016 Budget RFFCO*	2016 Utilized in Budget	Balance December 31, 2016
PPFD*:				
Replace 3068	\$ 35,000	\$ -	\$ -	\$ 35,000
Replace 3000	<u>41,250</u>	<u>-</u>	<u>41,250</u>	<u>-</u>
PPFD Total	76,250	-	41,250	35,000
SVFC*:				
Replace 2011	325,000	-	-	325,000
Replace 2900	41,250	-	41,250	-
Replace 2911	162,500	162,500	-	325,000
Fire police vehicle	18,750	18,750	-	37,500
Refurbish 2917	<u>275,000</u>	<u>175,000</u>	<u>-</u>	<u>450,000</u>
SVFC Total	822,500	356,250	41,250	1,137,500
OTHER:				
Joint Board:				
Fire academy - renovations & repairs (2010 Cancellation)	2,997	-	-	2,997
Fire academy - mechanical equipment (2013 Cancellation)	<u>108</u>	<u>-</u>	<u>-</u>	<u>108</u>
Total Joint Board	3,105	-	-	3,105
District No. 2:				
Two asst. chief vehicles (2010 cancellation)	2,060	-	-	2,060
Two asst. chief vehicles (2012 cancellation)	31,807	-	-	31,807
Tanker truck (2012 cancellation)	<u>9,357</u>	<u>-</u>	<u>-</u>	<u>9,357</u>
District No. 2 Total	<u>43,224</u>	<u>-</u>	<u>-</u>	<u>43,224</u>
GRAND TOTAL	<u>\$ 945,079</u>	<u>\$ 356,250</u>	<u>\$ 82,500</u>	<u>\$ 1,218,829</u>

*RFFCO – Reserve for Future Capital Outlays*

*PPFD – Pleasant Plain Fire Department*

*SVFC – Silverton Volunteer Fire Company*

**See Independent Auditors' Report.**

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Schedule of Fund Balance – Capital Fund**  
**Year Ended December 31, 2015**

Purpose	Balance December 31, 2014	2015 Budget RFFCO*	2015 Utilized in Budget	Balance December 31, 2015
PPFD*:				
Replace 3068	\$ 35,000	\$ -	\$ -	\$ 35,000
Replace 3000	27,500	13,750	-	41,250
Replace 3061	<u>616,667</u>	<u>-</u>	<u>616,667</u>	<u>-</u>
PPFD Total	679,167	13,750	616,667	76,250
SVFC*:				
Replace 2011	325,000	-	-	325,000
Replace 2900	27,500	13,750	-	41,250
Replace 2911	-	162,500	-	162,500
Fire police vehicle	-	18,750	-	18,750
Refurbish 2917	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>275,000</u>
SVFC Total	627,500	195,000	-	822,500
OTHER:				
Joint Board:				
Fire academy - renovations & repairs (2010 Cancellation)	2,997	-	-	2,997
Fire academy - mechanical equipment (2013 Cancellation)	<u>108</u>	<u>-</u>	<u>-</u>	<u>108</u>
Total Joint Board	3,105	-	-	3,105
District No. 2:				
Two asst. chief vehicles (2010 cancellation)	2,060	-	-	2,060
Two asst. chief vehicles (2012 cancellation)	31,807	-	-	31,807
Tanker truck (2012 cancellation)	<u>9,357</u>	<u>-</u>	<u>-</u>	<u>9,357</u>
District No. 2 Total	<u>43,224</u>	<u>-</u>	<u>-</u>	<u>43,224</u>
<b>GRAND TOTAL</b>	<b><u>\$ 1,352,996</u></b>	<b><u>\$ 208,750</u></b>	<b><u>\$ 616,667</u></b>	<b><u>\$ 945,079</u></b>

*RFFCO – Reserve for Future Capital Outlays*

*PPFD – Pleasant Plain Fire Department*

*SVFC – Silverton Volunteer Fire Company*

**See Independent Auditors' Report.**

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Statistical Information**  
**Years Ended December 31, 2016 and 2015**

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**Property Tax Levies**

The following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuation for the current and preceding nine years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2016	\$ 4,536,024,101	\$ 3,228,231	\$ 0.072
2015	4,499,250,307	3,356,174	0.075
2014	4,469,931,333	2,896,000	0.065
2013	4,494,959,300	2,949,396	0.066
2012	5,681,293,242	2,891,277	0.051
2011	5,880,646,974	2,891,843	0.050
2010	5,926,927,100	2,762,452	0.047
2009 (revaluation)	6,024,706,975	2,794,209	0.047
2008	2,530,464,966	2,681,130	0.106
2007	2,513,067,883	2,390,004	0.096

**General Fund – Fund Balance before Current Year Appropriation Reserves**

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2016	\$ 1,476,356	\$ 255,553
December 31, 2015	1,142,364	-
December 31, 2014	877,602	-
December 31, 2013	937,761	285,184
December 31, 2012	1,156,277	514,000
December 31, 2011	1,039,963	91,000
December 31, 2010	871,382	119,500
December 31, 2009	700,221	150,000
December 31, 2008	585,468	150,000

**Capital Fund – Fund Balance**

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2016	\$ 1,218,829	\$ 1,100,000
December 31, 2015	945,079	82,500
December 31, 2014	1,352,996	616,667
December 31, 2013	862,996	55,000
December 31, 2012	1,162,055	800,000
December 31, 2011	1,383,808	600,000
December 31, 2010	1,153,058	165,000
December 31, 2009	880,999	114,999
December 31, 2008	504,000	-

See Independent Auditors' Report.

**Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey  
Roster of Officials  
Years Ended December 31, 2016 and 2015**

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The following Officials were in the office during the period under audit:

<u>Board of Commissioners</u>	<u>Position</u>	<u>Surety Bond</u>
Robert J. Blank Jr.	Chairman	\$ 1,000,000 *
Joe Duff	Treasurer	1,000,000 *
Brian Geoghegan	Clerk	1,000,000 *
Christopher Silva	Assistant Clerk	1,000,000 *
Kevin W. Britton	Commissioner	1,000,000 *

Other Officials

Richard M. Braslow Board Attorney

\* Blanket Bond Coverage

Surety Company

American Alternative

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Comments and Recommendations**  
**Years Ended December 31, 2016 and 2015**

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**Scope of Examination and Conditions of Records**

Our examination covered the funds of the Board of Fire Commissioners, Toms River Fire Commissioners, District No. 2 handled by the Treasurer.

The financial records were maintained in good condition.

Minutes of Board meetings were properly maintained by the Recording Secretary.

**Cash in Banks**

The balances in banks at December 31, 2016 were reconciled with statements issued by the depositories.

Our examination revealed that the Fire District maintains its investments in various short term certificates of deposit.

**Examination of Claims**

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period, and in agreement with bill list set forth in the approved minutes of the Board.

The District's five (5) Commissioners receive a fee for meeting attendance during the year.

**Contracts and Agreements Required to be Advertised**

**For N.J.S. 40A:11-4**

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost 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 after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$40,000 except by contract or agreement." Furthermore, contracting units now have a quotation threshold of \$6,000.

The members of the Toms River Fire Commissioners, District No. 2 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The results of our examination indicated that one individual payment, contract or agreement was made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

**Miscellaneous**

An exit conference was held in accordance with the Generally Accepted Government Auditing Standards in the United States of America.

**See Independent Auditors' Report.**

**Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey  
Comments and Recommendations  
Years Ended December 31, 2016 and 2015**

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**Acknowledgment**

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

**Recommendations**

None

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,

*William Smith + Brown, PC*

September 22, 2017

**Toms River Fire Commissioners, District No. 2  
Ocean County, New Jersey  
Schedule of Findings and Recommendations  
Years Ended December 31, 2016 and 2015**

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**Schedule of Financial Statement Findings**

This section identifies the material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Material Weaknesses**

None

**Toms River Fire Commissioners, District No. 2**  
**Ocean County, New Jersey**  
**Schedule of Prior Year Findings and Recommendations**  
**Years Ended December 31, 2016 and 2015**

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**Schedule of Prior Year Financial Statement Findings**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**Material Weaknesses**

None

See Independent Auditors' Report.