

**TOMS RIVER FIRE COMMISSIONERS DISTRICT #2
OCEAN COUNTY, NEW JERSEY
Financial Statements
December 31, 2017 and 2016
With Independent Auditors' Reports**

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
December 31, 2017 and 2016

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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**

**Brian Geoghegan, Chairman
Joe Duff, Treasurer
Christopher Silva, Clerk
Craig Bierbaum, 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, 2017 and 2016.

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)

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, 2017 and 2016, net position changed as follows:

	2017 GAAP Basis		Total	Increase (Decrease) over 2016	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets and Deferred Outflows of Resources:					
Current and other assets	\$ 3,962,673	\$ -	\$ 3,962,673	\$ 488,022	14.05%
Capital assets - net	-	4,332,633	4,332,633	415,346	10.60%
Deferred outflows of resources	171,856	-	171,856	(55,401)	-24.38%
Total assets and deferred outflows of resources	\$ 4,134,529	\$ 4,332,633	\$ 8,467,162	\$ 847,967	11.13%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 1,050,252	\$ 150,408	\$ 1,200,660	\$ 107,058	9.79%
Deferred inflows of resources	129,189	-	129,189	128,258	13776.37%
Total liabilities and deferred inflows of resources	1,179,441	150,408	1,329,849	235,316	21.50%
Net position					
Net investment in capital assets			4,182,225	264,938	6.76%
Restricted for capital acquisitions			1,424,716	72,779	5.38%
Unrestricted			1,530,372	274,934	21.90%
Total net position			7,137,313	612,651	9.39%
Total liabilities, deferred inflows of resources and net position			\$ 8,467,162	\$ 847,967	11.13%

	2016 GAAP Basis		Total	Increase (Decrease) over 2015	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets and Deferred Outflows of Resources:					
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%
Total assets and deferred outflows of resources	\$ 3,701,908	\$ 3,917,287	\$ 7,619,195	\$ 283,774	3.87%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 1,093,602	\$ -	\$ 1,093,602	\$ (287,291)	-20.80%
Deferred inflows of resources	931	-	931	(9,831)	-91.35%
Total liabilities and deferred inflows of resources	1,094,533	-	1,094,533	(297,122)	-21.35%
Net position					
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%
Total net position			6,524,662	580,896	9.77%
Total liabilities, deferred inflows of resources and net position			\$ 7,619,195	\$ 283,774	3.87%

In both years, 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, 2017 and 2016 and the amount and percentage of increases and decreases in relation to the prior years.

	2017 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2016	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 3,188,000	96.59%	\$ (40,231)	-1.25%
Interest income	19,206	0.58%	3,547	22.65%
Supplemental fire services grant	9,898	0.30%	-	0.00%
Miscellaneous income	83,464	2.53%	35,964	75.71%
	<u>\$ 3,300,568</u>	<u>100.00%</u>	<u>\$ (720)</u>	<u>-0.02%</u>

For the year ended December 31, 2017 the District experienced a decrease in district taxes of approximately \$40,000. The decrease is related to district property tax rate decrease from \$0.072 to \$0.070 per \$100 of assessed valuation.

	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.

Toms River Fire Commissioners, District No. 2

Management's Discussion and Analysis (continued)

	2017 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2016	Percentage Increase (Decrease)
Expenditures				
Office expenses	\$ 10,115	0.38%	\$ 3,665	56.82%
Professional services	27,171	1.01%	4,155	18.05%
Elections	3,655	0.14%	(4,790)	-56.72%
Travel expenses	4,482	0.17%	(4,532)	-50.28%
Dues	1,706	0.06%	9	0.53%
Salaries and wages	262,643	9.77%	6,429	2.51%
Fringe benefits	330,958	12.31%	4,515	1.38%
Advertising	1,553	0.06%	(76)	-4.67%
Telephone and opticom	5,037	0.19%	2,127	73.09%
Insurance and health protection	152,611	5.68%	(3,062)	-1.97%
Supplies	825	0.03%	367	80.13%
Registrations, licenses and fees	100	0.00%	(859)	-89.57%
Uniforms	63,000	2.34%	(950)	-1.49%
Utilities and building maintenance	16,900	0.63%	(2,913)	-14.70%
Physicals and fitness	7,975	0.30%	(176)	-2.16%
Fire hydrant service on rentals	256,927	9.56%	827	0.32%
Contracted services provided by volunteer fire companies	53,480	1.99%	(3,866)	-6.74%
Training	5,934	0.22%	12	0.20%
Non-bondable - radios	7,681	0.29%	(20,790)	-73.02%
Non-bondable - fire equipment	162,091	6.03%	15,791	10.79%
Non-bondable - scuba and fire rescue	9,787	0.36%	4,542	86.60%
Gas and oil	15,433	0.57%	2,222	16.82%
Vehicle maintenance	64,732	2.41%	(12,933)	-16.65%
Equipment repairs	39,220	1.46%	(3,632)	-8.48%
Contingent expenses	-	0.00%	(88)	-100.00%
Other rental charges	104,724	3.90%	-	0.00%
First aid	9,779	0.36%	(221)	-2.21%
Joint board expenses	745,065	27.72%	(15,134)	-1.99%
Pension expense, net	27,455	1.02%	(29,010)	-51.38%
Depreciation expense	296,784	11.04%	25,802	9.52%
	<u>\$ 2,687,917</u>	<u>100.00%</u>	<u>\$ (32,475)</u>	<u>-1.19%</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 a decrease in total expenditures of approximately \$32,000, or 1%, mainly due to decrease of pension expense, net.

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)
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%
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	27.92%	(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 a 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board has not revised the General Fund budget. 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 2017, the district tax rate decreased from \$.072 to \$.070 which produced a decrease in tax revenue of approximately \$40,000. For 2016, the district tax base increased while the tax rate decreased which produced a decrease in tax revenue of approximately \$128,000

Toms River Fire Commissioners, District No. 2

Management's Discussion and Analysis (continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the years ended December 31, 2017 and 2016, capital assets changed as follows:

	2016 GAAP Basis	Additions	Transfers/ Disposals	2017 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	547,630	24,606	(8,023)	564,213	3.03%
Construction in progress	-	680,684	-	680,684	100.00%
Fire apparatus	4,964,135	6,840	(44,110)	4,926,865	-0.75%
	<u>6,652,633</u>	<u>712,130</u>	<u>(52,133)</u>	<u>7,312,630</u>	9.92%
Accumulated depreciation	<u>2,735,346</u>	<u>296,784</u>	<u>(52,133)</u>	<u>2,979,997</u>	8.94%
Capital assets, net	<u>\$ 3,917,287</u>	<u>\$ 415,346</u>	<u>\$ -</u>	<u>\$ 4,332,633</u>	10.60%

The District accounted for the purchase of new equipment and a new pumper truck, and the deletion of various equipment.

	2015 GAAP Basis	Additions	Transfers/ Deletions	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.

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.

Toms River Fire Commissioners, District No. 2

Management's Discussion and Analysis (continued)

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, 2017 and 2016, 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 opinions.

Opinions

In our opinions, 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, 2017 and 2016, 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 require that the Management's Discussion and Analysis on page A1 through A8, 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, and Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual and related notes on page 30 to 34 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 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 2017 and 2016 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 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 October 3, 2018 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

October 3, 2018

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 year ended December 31, 2017, 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 October 3, 2018.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

October 3, 2018

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, 2017

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets and Deferred Outflows of Resources					
Assets					
Cash	\$ 1,757,846	\$ -	\$ 1,757,846	\$ -	\$ 1,757,846
Short term investments	1,134,160	-	1,134,160	-	1,134,160
Accounts receivable	1,043,514	-	1,043,514	-	1,043,514
Prepaid insurance	27,153	-	27,153	-	27,153
Interfund receivable	-	1,424,716	1,424,716	(1,424,716)	-
Capital assets, net	-	-	-	4,332,633	4,332,633
Total assets	<u>3,962,673</u>	<u>1,424,716</u>	<u>5,387,389</u>	<u>2,907,917</u>	<u>8,295,306</u>
Deferred Outflows of Resources					
Pension related	-	-	-	171,856	171,856
Total assets and deferred outflows of resources	<u>\$ 3,962,673</u>	<u>\$ 1,424,716</u>	<u>\$ 5,387,389</u>	<u>\$ 3,079,773</u>	<u>\$ 8,467,162</u>
Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position					
Current liabilities					
Encumbrances payable	\$ 225,235	\$ 150,408	\$ 375,643	\$ -	\$ 375,643
PERS payable	-	-	-	26,194	26,194
Reserve for LOSAP trust	33,976	-	33,976	-	33,976
Compensated absences	119,992	-	119,992	-	119,992
Payroll taxes	4,644	-	4,644	-	4,644
Interfund payable	1,424,716	-	1,424,716	(1,424,716)	-
Improvement authorizations	-	823,836	823,836	(823,836)	-
Total current liabilities	<u>1,808,563</u>	<u>974,244</u>	<u>2,782,807</u>	<u>(2,222,358)</u>	<u>560,449</u>
Other liabilities					
Net pension liability	-	-	-	640,211	640,211
Total liabilities	<u>1,808,563</u>	<u>974,244</u>	<u>2,782,807</u>	<u>(1,582,147)</u>	<u>1,200,660</u>
Deferred Inflows of Resources					
Pension related	-	-	-	129,189	129,189
Fund balances					
Committed					
Capital improvements	-	277,579	277,579	(277,579)	-
Assigned					
Appropriation reserves	466,871	-	466,871	(466,871)	-
Designated for subsequent years' expenditures	307,893	172,893	480,786	(480,786)	-
Unassigned					
General fund	1,379,346	-	1,379,346	(1,379,346)	-
Total fund balances	<u>2,154,110</u>	<u>450,472</u>	<u>2,604,582</u>	<u>(2,604,582)</u>	<u>-</u>
Total liabilities, fund balances and deferred inflows of resources	<u>\$ 3,962,673</u>	<u>\$ 1,424,716</u>	<u>\$ 5,387,389</u>		
Net Position					
Net investment in capital assets				4,182,225	4,182,225
Restricted for capital acquisitions				1,424,716	1,424,716
Unrestricted				1,530,372	1,530,372
Total net position				<u>7,137,313</u>	<u>7,137,313</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 3,079,773</u>	<u>\$ 8,467,162</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, 2016

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Position
Assets and Deferred Outflows of Resources					
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>
Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position					
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 Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2017

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures					
Operating appropriations	\$ 2,464,738	\$ -	\$ 2,464,738	\$ 223,179	\$ 2,687,917
Capital appropriations	1,631,843	-	1,631,843	(1,631,843)	-
Total expenditures	4,096,581	-	4,096,581	(1,408,664)	2,687,917
Revenues and other financing sources					
General revenues:					
District taxes	3,188,000	-	3,188,000	-	3,188,000
Supplemental fire services grant	9,898	-	9,898	-	9,898
Interest income	19,206	-	19,206	-	19,206
Miscellaneous revenue	83,464	-	83,464	-	83,464
Fund balance utilized - restricted	1,100,000	-	1,100,000	(1,100,000)	-
Total general revenues	4,400,568	-	4,400,568	(1,100,000)	3,300,568
Transfers:					
Reserve for future capital outlays	-	331,643	331,643	(331,643)	-
Capital fund balance utilized	-	(1,100,000)	(1,100,000)	1,100,000	-
Total transfers	-	(768,357)	(768,357)	768,357	-
Total general revenues and transfers	4,400,568	(768,357)	3,632,211	(331,643)	3,300,568
Excess (deficit) of revenue and transfers over expenditures	303,987	(768,357)	(464,370)	464,370	-
Changes in net position	-	-	-	612,651	612,651
Fund balances / net position					
Beginning of year	1,850,123	1,218,829	3,068,952	3,455,710	6,524,662
End of year	<u>\$ 2,154,110</u>	<u>\$ 450,472</u>	<u>\$ 2,604,582</u>	<u>\$ 4,532,731</u>	<u>\$ 7,137,313</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>
Expenditures					
Operating appropriations	\$ 2,385,260	\$ -	\$ 2,385,260	\$ 335,132	\$ 2,720,392
Capital appropriations	571,603	-	571,603	(571,603)	-
Total expenditures	<u>2,956,863</u>	<u>-</u>	<u>2,956,863</u>	<u>(236,471)</u>	<u>2,720,392</u>
Revenues and other financing sources					
General revenues:					
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
Transfers:					
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
Fund balances / net position:					
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
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016, 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 2017 and 2016 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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016 management has determined that there was no impairment of capital assets.

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.
- 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.

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

- 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, 2017 and 2016 approximated \$1,600.

2. ADJUSTMENTS TO ARRIVE AT NET POSITION

Capital Assets – Net and Net Investment in Capital Assets

For the years ended December 31, 2017 and 2016 capital assets, net in the amount of \$4,332,633 and \$3,917,287, respectively, and net investment in capital assets in the amount of \$4,182,225 and \$3,917,287, respectively, have been included in the government-wide presentation.

Interfund Receivables and Payables

For the years ended December 31, 2017 and 2016 interfund receivables and payables in the amount of \$1,424,716 and \$1,351,937, 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, 2017 and 2016 fund balances in the amount of \$2,604,582 and \$3,068,952, respectively, have been eliminated. Unrestricted net position in the amount of \$1,530,372 and \$1,255,438, respectively, and net position restricted for capital acquisitions in the amount of \$1,424,716 and \$1,351,937, respectively, has been included in the government-wide presentation.

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, 2017 and 2016, improvement authorizations in the amount of \$823,836 and \$133,108, 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, 2017 and 2016, PERS payable in the amount of \$26,194 and \$24,596, 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, 2017 and 2016 the deferred outflows of resources in the amounts of \$171,856 and \$227,257, respectively, and deferred inflows of resources in the amounts of \$129,189 and \$931, 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, 2017 and 2016 the net pension liability in the amounts of \$640,211 and \$796,415, 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, 2017, depreciation expense in the amount of \$296,784 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 \$24,605, non-bondable radios has been decreased by \$6,841 and non-bondable scuba and fire rescue has been decreased by \$78,578. Additionally, to account for expenditures applied to improvement authorizations under the fund basis of accounting, joint board expenses has been increased by \$7,366. Fringe benefits has been increased by \$1,598 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 \$27,455. The net effect on operating appropriations is an increase of \$223,179.

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.

Capital Appropriations

For the year ended December 31, 2017 reserve for future capital outlays and related transfers have been reduced by \$331,643 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 \$1,300,200 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 \$1,300,200.

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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.

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, \$- and \$24,400, respectively, is included on the government-wide presentation for the years ended December 31, 2017 and 2016 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.

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, 2017 and 2016 the District’s cash accounts consisted of:

	2017	2016
Santander – Check	\$ 13,625	\$ 27,562
Santander – Money Market	1,716,158	2,216,007
Santander – Payroll	27,463	23,660
Santander – Pension Account	<u>600</u>	<u>600</u>
Total Cash	<u>\$ 1,757,846</u>	<u>\$ 2,267,829</u>

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The carrying amount of the Board's cash and cash equivalents at December 31, 2017 was \$1,757,846 and the bank balance was \$1,764,469. Of the balance, \$250,000 was covered by federal depository insurance and \$1,514,469 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	1,514,469
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.
- (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 2017 and 2016, no such investments were held by the District.

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As of December 31, 2017 and 2016, the District's investments consisted of:

	2017	2016
Certificates of Deposit:		
M&T Bank	\$ 239,005	\$ 238,032
Investors	84,776	84,604
Shore Community	86,774	86,342
Kearney Federal Savings	87,687	87,085
Manasquan Savings	175,544	173,809
Santander Bank	229,237	229,004
Sun National	<u>231,137</u>	<u>229,410</u>
Total Investments	<u>\$ 1,134,160</u>	<u>\$ 1,128,286</u>

The certificates of deposits have terms ranging from 6 months to 13 months, with interest rates ranging from 0.10% to 1.25% and mature in various months of 2018 and 2019. These CD's are covered by the FDIC.

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.

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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, 2017 and 2016, the fire tax rate on Fire District No. 2 was \$.070 and \$.072, 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 each year for the years ended December 31, 2017 and 2016, 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 2017 and 2016 were \$3,600 each year.

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 contribution is based on the actuary calculation. For 2017 and 2016 the budgeted amount of contribution was \$258,500 each year, and the contribution made in 2017 and 2016 was \$241,704 and \$234,695 respectively. The remaining budget is reserved for future contribution. 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.nj.gov/treasury/pensions/financial-reports.shtml.

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

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<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. 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. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50 percent of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. During the years ended December 31, 2017 and 2016, the PERS received employer and employee contributions as follows:

	2017		2016
Employer contributions	\$ 26,194	\$	24,596
Employee contributions	\$ 14,321	\$	13,062
Salary basis for contributions	\$ 196,975	\$	191,243
Percent of base wages	7.20% - 7.34%		7.06% - 7.20%

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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, 2017 and 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016. 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, 2017 and 2016 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, 2017 and 2016. At December 31, the District's proportionate share and net pension liability was as follows:

	2017		2016
PERS net pension liability (Local Group)	\$ 23,278,401,588	\$	29,617,131,759
District net pension liability	\$ 640,211	\$	796,415
District's proportion	0.0027502361%		0.0026890349%

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

	2017		2016
Proportionate share of allocable plan pension expense	\$ 46,177	\$	76,035
Pension expense related to specific liabilities of individual employers	(25,475)		(23,888)
Net amortization of deferral amounts from changes in proportion	6,753		4,318
Other changes	-		-
	<u>\$ 27,455</u>	<u>\$</u>	<u>56,465</u>

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At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	2017	
	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 128,980	\$ 128,508
Difference between expected and actual experience	15,075	-
Net difference between projected and actual earnings on pension plan investments	4,359	-
Changes in proportion and differences between the District contributions and proportionate share of contributions	23,442	681
District contributions subsequent to the measurement date	-	-
	<u>\$ 171,856</u>	<u>\$ 129,189</u>

	2016	
	Deferred outflows of resources	Deferred inflows of resources
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>

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
2018	\$ 547,996,144	\$ 32,302
2019	826,939,464	48,745
2020	501,083,041	29,537
2021	(666,441,734)	(39,284)
2022	(485,747,054)	(28,633)
	<u>\$ 723,829,861</u>	<u>\$ 42,667</u>

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Actuarial Assumptions

The collective total pension liability for the June 30, 2017 and 2016 measurement date was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively, which was rolled forward to June 30, 2017 and 2016, respectively. This actuarial valuation used the following actuarial assumptions:

	2017	2016
Inflation rate	2.25%	3.08%
Salary increases through 2026	1.65 - 4.15%	1.65 - 4.15%
	based on age	based on age
Thereafter	2.65 - 5.15%	2.65 - 5.15%
	based on age	based on age
Investment rate of return	7.00%	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined 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).

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

Long-Term Expected Rate of Return

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

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Aboslute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S treasuries	3.00%	1.87%
Investment grade credits	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00 percent and 3.98 percent as of December 31, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.58 percent and 2.85 percent as of June 30, 2017 and 2016, 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 40 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the 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, 2017 and 2016, 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:

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	<u>2017</u>		
	<u>At 1 % decrease (4.00%)</u>	<u>At current discount rate (5.00%)</u>	<u>At 1% increase (6.00%)</u>
State	\$ 29,818,581,732	\$ 25,645,622,797	\$ 22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS as a whole	<u>\$ 58,697,018,759</u>	<u>\$ 48,924,024,385</u>	<u>\$ 40,792,456,582</u>
District's proportionate share of the net pension liability	<u>\$ 794,225</u>	<u>\$ 640,211</u>	<u>\$ 511,898</u>
	<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>
State	\$ 34,422,851,197	\$ 29,390,685,705	\$ 25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
PERS as a whole	<u>\$ 70,715,189,252</u>	<u>\$ 59,007,817,464</u>	<u>\$ 49,352,744,647</u>
District's proportionate share of the net pension liability	<u>\$ 975,914</u>	<u>\$ 796,415</u>	<u>\$ 648,223</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: www.nj.gov/treasury/pensions/financial-reports.shtml.

9. CAPITAL ASSETS

The following schedules are a summarization of the capital assets by source for the years ended December 31, 2017 and 2016:

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Description	January 1, 2017	Additions	Transfers/ Disposal	December 31, 2017
Capital assets not being depreciated:				
Land	\$ 21,400	\$ -	\$ -	\$ 21,400
Construction in progress	-	680,684	-	680,684
Total	21,400	680,684	-	702,084
Capital assets being depreciated:				
Buildings	1,119,468	-	-	1,119,468
Machinery & equipment	547,630	24,606	(8,023)	564,213
Fire apparatus	4,964,135	6,840	(44,110)	4,926,865
Total	6,631,233	31,446	(52,133)	6,610,546
Less accumulated depreciation:				
Buildings	473,026	29,119	-	502,145
Machinery & equipment	393,414	28,703	(8,023)	414,094
Fire apparatus	1,868,906	238,962	(44,110)	2,063,758
Total	2,735,346	296,784	(52,133)	2,979,997
Total capital assets being depreciated, net	3,895,887	(265,338)	-	3,630,549
Net capital assets	\$ 3,917,287	\$ 415,346	\$ -	\$ 4,332,633

Description	January 1, 2016	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	\$ 3,989,082	\$ (71,795)	\$ -	\$ 3,917,287

Depreciation expense for the years ended December 31, 2017 and 2016 was \$296,784 and \$270,982, respectively.

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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, 2017 and 2016 expenditures, net of revenues, were \$737,699 and \$694,997, 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, 2017 and 2016, the vested balances were \$119,992 and \$115,726, 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, 2017 through the date of October 3, 2018, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events require disclosure in the financial statements.

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)
Years Ended December 31, 2017 through 2014

	2017	2016	2015	2014
District's proportionate of the net pension liability (Local Group)	0.0027502361%	0.0026890349%	0.0026545487%	0.0026619829%
District's proportionate share of the net pension liability (Local Group)	\$ 640,211	\$ 796,415	\$ 595,893	\$ 498,396
District's covered-employee payroll	\$ 196,975	\$ 191,243	\$ 186,873	\$ 180,175
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	325%	416%	319%	277%

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Benefit Changes

None

Changes of Assumptions

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

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)
Years Ended December 31, 2017 through 2014

	2017	2016	2015	2014
Contractually required contributions				
Regular pension and non-contributory group				
insurance contribution	\$ 25,478	\$ 23,889	\$ 22,822	\$ 21,945
Chapter 19 P.L. 2009 contribution	716	707	699	695
	<u>26,194</u>	<u>24,596</u>	<u>23,521</u>	<u>22,640</u>
Contributions in relation to the				
contractually required contribution	<u>(26,194)</u>	<u>(24,596)</u>	<u>(23,521)</u>	<u>(22,640)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Percent of base wages	7.20% - 7.34%	7.06% - 7.20%	6.92% - 7.06%	6.78% - 6.92%
District's covered-employee payroll	\$ 196,975	\$ 191,243	\$ 186,873	\$ 180,175
Contributions as a percentage of the				
District's covered-employee payroll	13.30%	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.

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, 2017

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Revenues:								
District taxes	\$ 3,188,000	\$ -	\$ 3,188,000	\$ -	\$ 3,188,000	\$ 3,188,000	\$ 3,188,000	\$ -
Supplemental fire services grant	9,898	-	9,898	-	9,898	9,899	9,899	(1)
Interest income	19,206	-	19,206	-	19,206	10,000	10,000	9,206
Miscellaneous revenue	83,464	-	83,464	-	83,464	-	-	83,464
Fund balance utilized - restricted	1,100,000	-	1,100,000	(1,100,000)	-	1,100,000	1,100,000	-
Fund balance utilized - unrestricted	-	-	-	-	-	255,553	255,553	(255,553)
Total revenues	4,400,568	-	4,400,568	(1,100,000)	3,300,568	4,563,452	4,563,452	(162,884)
Transfers:								
Capital fund balance utilized	-	(1,100,000)	(1,100,000)	1,100,000	-	-	-	(1,100,000)
Reserve for future capital outlays	-	331,643	331,643	(331,643)	-	-	-	331,643
Total transfers	-	(768,357)	(768,357)	768,357	-	-	-	(768,357)
Total general revenues and transfers	4,400,568	(768,357)	3,632,211	(331,643)	3,300,568	4,563,452	4,563,452	(931,241)
Expenditures:								
Operating appropriations:								
Administration:								
Elections	3,655	-	3,655	-	3,655	9,000	9,000	5,345
Office expenses	10,115	-	10,115	-	10,115	22,700	22,700	12,585
Professional services	27,171	-	27,171	-	27,171	36,000	36,000	8,829
Travel expenses	4,482	-	4,482	-	4,482	11,000	11,000	6,518
Dues	1,706	-	1,706	-	1,706	4,000	4,000	2,294
Communication expenses	94	-	94	-	94	2,800	2,800	2,706
Advertising	1,553	-	1,553	-	1,553	2,000	2,000	447
Telephone and opticom	5,037	-	5,037	-	5,037	8,500	8,500	3,463
Total administration	53,813	-	53,813	-	53,813	96,000	96,000	42,187

(Continued on the following page)

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, 2017

	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	54,030	-	54,030	-	54,030	82,189	82,189	28,159
Administrator and secretarial	208,613	-	208,613	-	208,613	204,728	204,728	(3,885)
Total salary and wages	262,643	-	262,643	-	262,643	286,917	286,917	24,274
Fringe benefits:								
LOSAP	258,500	-	258,500	-	258,500	258,500	258,500	-
Fringe benefits	70,860	-	70,860	1,598 (1)	72,458	62,822	62,822	(8,038)
Total fringe benefits	329,360	-	329,360	1,598	330,958	321,322	321,322	(8,038)
Contractual:								
Fire hydrant service on rentals	256,927	-	256,927	-	256,927	265,000	265,000	8,073
Contracted services provided by volunteer fire companies	53,480	-	53,480	-	53,480	61,930	61,930	8,450
Total contractual	310,407	-	310,407	-	310,407	326,930	326,930	16,523
Other expenses:								
Training	5,934	-	5,934	-	5,934	15,500	15,500	9,566
Insurance and health protection	152,611	-	152,611	-	152,611	170,000	170,000	17,389
Registrations, licenses and fees	100	-	100	-	100	2,100	2,100	2,000
Uniforms	63,000	-	63,000	-	63,000	64,000	64,000	1,000
Supplies	825	-	825	-	825	2,000	2,000	1,175
Equipment repairs	39,220	-	39,220	-	39,220	39,000	39,000	(220)
Vehicle maintenance	64,732	-	64,732	-	64,732	83,000	83,000	18,268
Other rental charges	104,724	-	104,724	-	104,724	104,724	104,724	-
Contingent expenses	-	-	-	-	-	1,000	1,000	1,000
Non-bondable - radios	14,522	-	14,522	(6,841) (1)	7,681	17,000	17,000	2,478

(Continued on the following page)

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, 2017

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Non-bondable - fire equipment	186,696	-	186,696	(24,605) (1)	162,091	184,000	184,000	(2,696)
Non-bondable - scuba and fire rescue	88,365	-	88,365	(78,578) (1)	9,787	165,000	165,000	76,635
First aid	9,779	-	9,779	-	9,779	10,000	10,000	221
Joint board expenses	737,699	-	737,699	7,366 (1)	745,065	976,916	976,916	239,217
Gas and oil	15,433	-	15,433	-	15,433	26,000	26,000	10,567
Physicals and fitness	7,975	-	7,975	-	7,975	14,000	14,000	6,025
Utilities and building maintenance	16,900	-	16,900	-	16,900	26,200	26,200	9,300
Pension expense, net	-	-	-	27,455 (1)	27,455	-	-	-
Depreciation expense	-	-	-	296,784 (1)	296,784	-	-	-
Total other expenses	<u>1,508,515</u>	<u>-</u>	<u>1,508,515</u>	<u>221,581</u>	<u>1,730,096</u>	<u>1,900,440</u>	<u>1,900,440</u>	<u>391,925</u>
Total operations and maintenance	<u>2,410,925</u>	<u>-</u>	<u>2,410,925</u>	<u>223,179</u>	<u>2,634,104</u>	<u>2,835,609</u>	<u>2,835,609</u>	<u>424,684</u>
Total operating appropriations	<u>2,464,738</u>	<u>-</u>	<u>2,464,738</u>	<u>223,179</u>	<u>2,687,917</u>	<u>2,931,609</u>	<u>2,931,609</u>	<u>466,871</u>
Capital appropriations:								
Reserve for future capital outlays	331,643	-	331,643	(331,643)	-	331,643	331,643	-
Capital projects	<u>1,300,200</u>	<u>-</u>	<u>1,300,200</u>	<u>(1,300,200) (1)</u>	<u>-</u>	<u>1,300,200</u>	<u>1,300,200</u>	<u>-</u>
Total capital appropriations	<u>1,631,843</u>	<u>-</u>	<u>1,631,843</u>	<u>(1,631,843)</u>	<u>-</u>	<u>1,631,843</u>	<u>1,631,843</u>	<u>-</u>
Total expenditures	<u>4,096,581</u>	<u>-</u>	<u>4,096,581</u>	<u>(1,408,664)</u>	<u>2,687,917</u>	<u>4,563,452</u>	<u>4,563,452</u>	<u>466,871</u>
Excess (deficit) of revenues and transfers over expenditures	303,987	(768,357)	(464,370)	464,370	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (464,370)</u>
Changes in net position	-	-	-	612,651	612,651			
Fund balances/net position, beginning of the year	<u>1,850,123</u>	<u>1,218,829</u>	<u>3,068,952</u>	<u>3,455,710 (2)</u>	<u>6,524,662</u>			
Fund balances/net position, end of year	<u>\$ 2,154,110</u>	<u>\$ 450,472</u>	<u>\$ 2,604,582</u>	<u>\$ 4,532,731</u>	<u>\$ 7,137,313</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, 2017

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.	\$ 102,658
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.	1,300,200
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.	(29,053)
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>(296,784)</u>
Net increase in fund balance – budget to GAAP	1,077,021

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2017

(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.

3,455,710
\$ 4,532,731

C. BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2017, the District canceled no appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 4,563,452
Expenditures	<u>4,096,581</u>
Favorable variance	466,871
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 466,871</u>

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2017

Purpose	Authorized Appropriation		Balance	2017	2016	2017	2017	Balance	
	Date	Amount	January 1, 2017						Encumbrances Payable
DISTRICT NO. 2									
Arial truck	02/18/12	\$ 800,000	\$ 1,875	\$ -	\$ -	\$ -	\$ -	\$ 1,875	
Commissioners' office	02/18/12	400,000	43	-	-	-	-	43	
Two chiefs vehicles	02/21/15	110,000	24,518	-	-	-	(24,518)	-	
Pumper truck	02/20/16	650,000	-	650,000	-	602,106	-	47,894	
Rescue truck	02/20/16	625,000	-	625,000	-	-	24,518	649,518	
Subtotal		2,585,000	26,436	1,275,000	-	602,106	-	699,330	
JOINT BOARD CAPITAL									
Fire academy - HVAC system and generator	02/18/12	36,750	3,340	-	-	-	-	3,340	
Fire academy - roof, windows & electrical	02/16/13	29,750	5,832	-	-	4,725	-	1,107	
Fire dispatch - consoles upgrades	02/15/14	97,500	97,500	-	-	-	-	97,500	
Fire prevention bureau vehicle	02/20/16	-	-	25,200	-	2,641	-	22,559	
Subtotal		164,000	106,672	25,200	-	7,366	-	124,506	
Grand total		\$ 2,749,000	\$ 133,108	\$ 1,300,200	\$ -	\$ 609,472	\$ -	\$ 823,836	
						Cash disbursements	\$ 459,064		
						Encumbrances payable	150,408		
							<u>\$ 609,472</u>		

See Independent Auditors' Report.

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		Balance January 1, 2016	2016 Authorization	2015 Encumbrances Payable	2016 Paid/Charged	2016 Transfers	Balance December 31, 2016
	Date	Amount						
DISTRICT NO. 2								
Arial 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	02/21/15	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
JOINT BOARD CAPITAL								
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		<u>\$ 2,647,598</u>	<u>\$ 134,155</u>	<u>\$ 180,350</u>	<u>\$ 386,283</u>	<u>\$ 567,680</u>	<u>\$ -</u>	<u>\$ 133,108</u>
						Cash disbursements	\$ 567,680	
						Encumbrances payable	-	
							<u>\$ 567,680</u>	

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, 2017

Purpose	Balance January 1, 2017	2017 Budget RFFCO*	2017 Utilized in Budget	Balance December 31, 2017
PPFD*:				
Replace 3068	\$ 35,000	\$ -	\$ -	\$ 35,000
Replace 3000	-	17,500	-	17,500
Replace 3007	-	105,000	-	105,000
PPFD Total	35,000	122,500	-	157,500
SVFC*:				
Replace 2900	-	17,500	-	17,500
Replace 2911	650,000	-	650,000	-
Fire police vehicle 2914	37,500	18,750	-	56,250
Refurbish 2917	450,000	-	450,000	-
SVFC Total	1,137,500	36,250	1,100,000	73,750
OTHER:				
Joint Board:				
Fire academy - renovations & repairs (2010 Cancellation)	2,997	45,000	-	47,997
Fire academy - mechanical equipment (2013 Cancellation)	108	-	-	108
Total Joint Board	3,105	45,000	-	48,105
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)	9,357	-	-	9,357
Substation - generator	-	50,000	-	50,000
Opti-com system	-	77,893	-	77,893
District No. 2 Total	43,224	127,893	-	171,117
GRAND TOTAL	\$ 1,218,829	\$ 331,643	\$ 1,100,000	\$ 450,472

RFFCO – Reserve for Future Capital Outlays
PPFD – Pleasant Plain Fire Department
SVFC – Silverton Volunteer Fire Company

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

Purpose	Balance January 1, 2016	2016 Budget RFFCO*	2016 Utilized in Budget	Balance December 31, 2016
PPFD*:				
Replace 3068	\$ 35,000	\$ -	\$ -	\$ 35,000
Replace 3000	41,250	-	41,250	-
PPFD Total	76,250	-	41,250	35,000
SVFC*:				
Replace 2900	41,250	-	41,250	-
Replace 2911	487,500	162,500		650,000
Fire police vehicle	18,750	18,750		37,500
Refurbish 2917	275,000	175,000	-	450,000
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)	108	-	-	108
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)	9,357	-	-	9,357
District No. 2 Total	43,224	-	-	43,224
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

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
Statistical Information
Years Ended December 31, 2017 and 2016

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 ten (10) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2017	\$ 4,593,750,077	\$ 3,188,000	\$ 0.070
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, 2017	\$ 1,687,239	\$ 307,893
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, 2017	\$ 450,472	\$ 172,893
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, 2017 and 2016

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

<u>Board of Commissioners</u>	<u>Position</u>	<u>Surety Bond</u>
Brian J. Geoghegan	Chairman	\$ 1,000,000 *
Joseph G. Duff	Treasurer	1,000,000 *
Christopher Silva	Clerk	1,000,000 *
Craig Bierbaum	Assistant Clerk	1,000,000 *
Kevin W. Britton	Commissioner	1,000,000 *

Other Officials

Richard M. Braslow Board Attorney

* Blanket Bond Coverage

Surety Company

Selective Insurance Company of America

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2017 and 2016

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, 2017 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 advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21 was not required as it was state contract purchase.

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2017 and 2016

Miscellaneous

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

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,



October 3, 2018

Toms River Fire Commissioners, District No. 2
Ocean County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2017 and 2016

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, 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, 2017 and 2016

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