

**FIRE DISTRICT NO. 2  
OF THE TOWNSHIP OF OCEAN**

**Financial Statements and Supplementary Schedules**

**For the year ended December 31, 2018**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
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**For the year ended December 31, 2018**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 2 of the Township of Ocean  
County of Monmouth  
Township of Ocean, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 2 of the Township of Ocean, County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 2 of the Township of Ocean, County of Monmouth, State of New Jersey, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, during the year ended December, 2018 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 2 of the Township of Ocean's basic financial statements. The accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis as required by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying other supplementary information, as listed in the table of contents, is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States

of America. In our opinion, the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019 on our consideration of the Fire District No. 2 of the Township of Ocean's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 2 of the Township of Ocean's internal control over financial reporting and compliance.

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

August 29, 2019  
Toms River, New Jersey

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

Board of Fire Commissioners  
Fire District No. 2 of the Township of Ocean  
County of Monmouth  
Township of Ocean, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 2 of the Township of Ocean, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Fire District No. 2 of the Township of Ocean’s basic financial statements, and have issued our report thereon dated August 29, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 2 of the Township of Ocean's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 2 of the Township of Ocean’s internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 2 of the Township of Ocean’s internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fire District No. 2 of the Township of Ocean's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* 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 Fire District No. 2 of the Township of Ocean's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 2 of the Township of Ocean's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**HOLMAN FRENIA ALLISON, P.C.**

*Certified Public Accountants*

August 29, 2019  
Toms River, New Jersey

**OCEAN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

As management of Ocean Township Fire District No. 2, we offer readers of the Ocean Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Ocean Township Fire District No. 2 for the year ended December 31, 2018. The intent of this narrative is to look at Ocean Township Fire District No. 2's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 20.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at December 31, 2018 by approximately \$2.50 million. In 2017 the excess was approximately \$4.31 million. This is a decrease of approximately \$1.82 million. Most of the decrease is due to the implementation of GASB Statement No. 75 as described below.
- During 2018 Ocean Township Fire District No. 2 operated at a surplus of approximately \$101,100. The surplus in 2017 was approximately \$149,600. This is a decrease of approximately \$48,500.
- As described in Note 13 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions – an amendment of GASB Statement No. 45, 57, & 74* for the year ended December 31, 2018. The adoption of this principle resulted in a restatement of the District's Governmental Activities net position opening fund balance as of January 1, 2018 in the amount of \$1,916,437.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. Ocean Township Fire District No. 2's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

**Reporting on the District as a Whole**

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

The Statement of Net Position presents information on the assets and liabilities of Ocean Township Fire District No. 2. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District.

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

The district-wide financial statements report on the financial data by function. Ocean Township Fire District No. 2 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Ocean Township Fire District No. 2 provides firefighting services to the citizens of Ocean Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Ocean Township Fire District No. 2 uses fund accounting to document compliance with finance-related legal matters. Ocean Township Fire District No. 2 has one type of fund group, governmental funds.

### **Governmental Funds**

Ocean Township Fire District No. 2's activities are reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Ocean Township Fire District No. 2 maintains three separate government funds, the general fund, the capital projects fund, and the debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the capital fund.

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

As required by N.J.S.A. 40A:14:78-3, Ocean Township Fire District No. 2 adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

### **Notes to Financial Statements**

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

## DISTRICT-WIDE FINANCIAL ANALYSIS

Ocean Township Fire District No. 2's net position is a useful indicator of the District's financial condition. At the end of 2018, the District's assets exceeded the liabilities by approximately \$2.50 million. The largest portion of Ocean Township Fire District No. 2's net position (159.7%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Ocean Township Fire District No. 2's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt. As of December 31, 2018, the District had \$135,000 of long-term bonds payable. The District increased its cash position by approximately \$344,000 and total liabilities increased by approximately \$1.28 million.

### Statement of Net Position

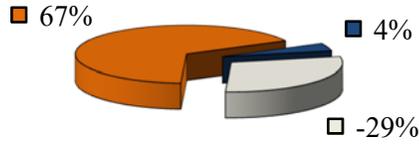
OCEAN TOWNSHIP FIRE DISTRICT NO. 2  
NET POSITION  
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Current and other assets	\$ 1,413,650	\$ 964,840	448,810	46.5%
Capital assets	<u>4,249,290</u>	<u>4,528,762</u>	(279,472)	(6.2%)
Total assets	5,662,940	5,493,602	169,338	3.1%
Total liabilities	<u>(3,167,485)</u>	<u>(1,182,787)</u>	1,984,698	167.8%
Net position	<u>\$ 2,495,455</u>	<u>\$ 4,310,815</u>	(1,815,360)	(42.1%)

### Analysis of net position

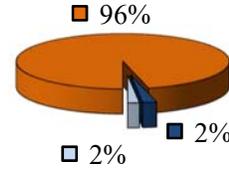
Invested in capital assets, net of related debt	\$ 3,984,260	\$ 4,143,762	(159,502)	(3.8%)
Restricted for:				
Capital	256,439	90,507	165,932	183.3%
Unrestricted	<u>(1,745,244)</u>	<u>76,546</u>	(1,821,790)	(2380.0%)
Total net position	<u>\$ 2,495,455</u>	<u>\$ 4,310,815</u>	(1,815,360)	(42.1%)

### 2018 Net Position



- Invested in Net Assets
- Restrict for Capital
- Unrestricted

### 2017 Net Position



- Invested in Net Assets
- Restrict for Capital
- Unrestricted

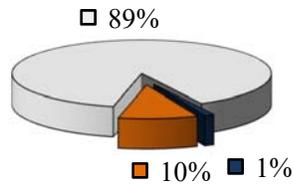
The net position of Ocean Township Fire District No. 2 increased approximately \$1.82 million during the 2018 period. The major change in net position at December 31, 2018 was due the District has adopting the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions – an amendment of GASB Statement No. 45, 57, & 74* for the year ended December 31, 2018.

### Governmental Activities

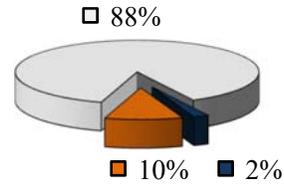
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 156,648	\$ 143,796	12,852	8.9%
Cost of operations and maintenance	1,407,641	1,224,952	182,689	14.9%
Interest on long-term debt	<u>19,500</u>	<u>28,471</u>	(8,971)	(31.5%)
Total program expenses	<u>1,583,789</u>	<u>1,397,219</u>	186,570	13.4%

### 2018 Program Expenses



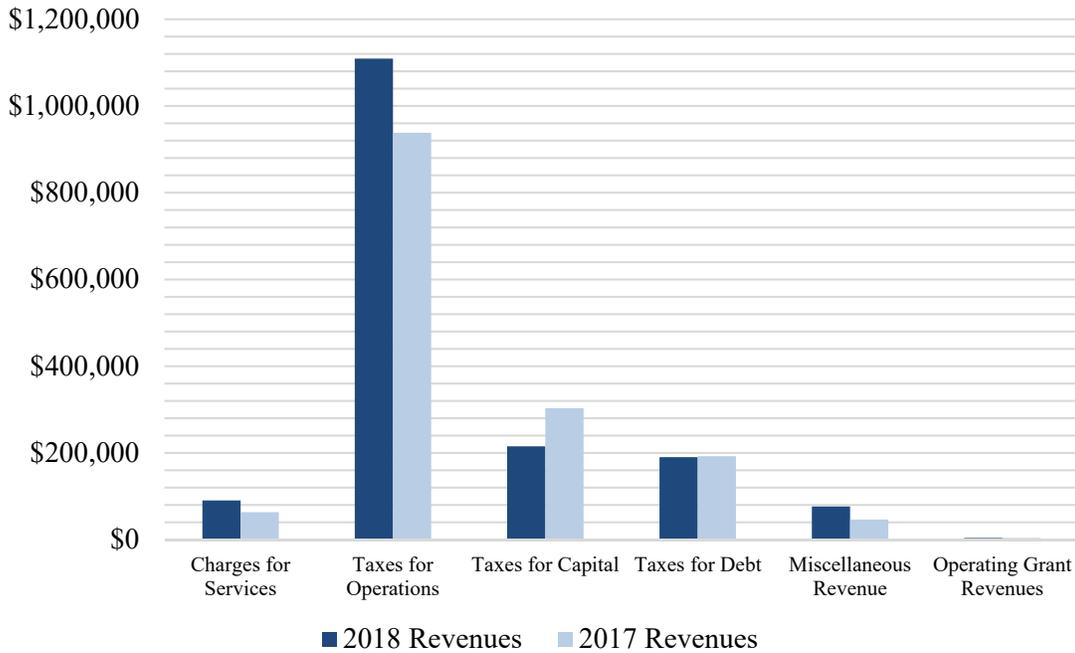
### 2017 Program Expenses



■ Administrative    ■ Operations    ■ Interest     
 ■ Administrative    ■ Operations    ■ Interest

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Revenues:				
Program revenues:				
Charges for services	90,183	63,265	26,918	42.5%
Total program revenues	<u>90,183</u>	<u>63,265</u>	26,918	42.5%
Net program expenses	<u>1,493,606</u>	<u>1,333,954</u>	159,652	12.0%
General revenues				
Property taxes levied for:				
General purposes	1,109,164	938,084	171,080	18.2%
Capital purchases	215,000	303,000	(88,000)	100.0%
Debt service	<u>190,224</u>	<u>192,124</u>	(1,900)	(1.0%)
Total property taxes levied	<u>1,514,388</u>	<u>1,433,208</u>	81,180	5.7%
Unrestricted investment earnings	397	361	36	9.9%
Miscellaneous income	76,158	46,213	29,945	64.80%
Operating grant revenue	<u>3,740</u>	<u>3,740</u>	-	0.0%
Total general revenues	<u>1,594,683</u>	<u>1,483,522</u>	111,161	7.5%
Increase in net position	101,077	149,568	(48,491)	(32.4%)
Net position, January 1, unadjusted	4,310,815	4,130,283	180,532	4.4%
Prior period adjustment	<u>(1,916,437)</u>	<u>30,964</u>	(1,947,401)	(6289.2%)
Net position, January 1, restated	<u>2,394,378</u>	<u>4,161,247</u>	(1,766,869)	(42.5%)
Net position, December 31	<u>\$ 2,495,455</u>	<u>\$ 4,310,815</u>	(1,815,360)	(42.1%)

## Revenues



Property tax revenue constituted 90% of the total governmental activities revenues received by Ocean Township Fire District No. 2 in 2018. In 2017 the property tax revenue constituted 93% of total revenues.

The Cost of Operations & Maintenance was 89% and 88% of the District’s total expenses in 2018 and 2017 respectively. Administration expenses equaled 10% of the total expenses in 2018 and 10% in 2017.

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

Ocean Township Fire District No. 2 uses fund accounting to document compliance with finance-related legal requirements.

#### **Government Fund**

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

As of December 31, 2018, the combined cash balance of the governmental funds of Ocean Township Fire District No. 2 was approximately \$1.10 million. This balance is approximately \$344,000 higher than last year’s combined governmental funds cash balance.

The combined balance of the governmental funds of Ocean Township Fire District No. 2 was approximately \$1.04 million. Unreserved fund balance amounted to approximately \$638,800 of that total. The Board has designated \$25,000 of general surplus for utilization in the 2019 budget.

The general fund is the main operating fund of Ocean Township Fire District No. 2. At the end of 2018, the total fund balance of the general fund was approximately \$781,200. Of this balance, approximately \$638,800 was unreserved.

During 2018 the general fund balance of Ocean Township Fire District No. 2 increased by approximately \$119,100. The primary reason for this increase is as follows:

- The Board had revenues in excess of appropriations in the amount of approximately \$119,100.

At the end of 2018, the District had a capital projects fund balance of approximately \$256,400. This balance increased in 2018 by approximately \$165,900. The primary reason for this increase is as follows:

- The Board had a capital appropriation of approximately \$47,900.
- The Board appropriated \$215,000 for future capital purchases.

### **General Fund Budgetary Highlights**

The Board assumes the responsibilities of the Uniform Fire Safety Act (UFSA) in the District. UFSA revenues are a factor of enforcement. The fees charged in 2018 were approximately 5% of the operating revenues.

The 2018 Budget as submitted to the voters included \$89,000 of accumulated surplus from the General Fund to balance the budget. Unused surplus is available for future budget periods as undesignated surplus in the funds.

The District had total budgeted revenues in excess of actual revenues of approximately \$96,100 in 2018. The Board expects to have a minor excess in 2019.

Overall, the District spent approximately \$554,100 less than originally anticipated in the operating budget for 2018. Administrative appropriations were approximately \$102,600 less than Budget and Operating appropriations were approximately \$150,100 less than Budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

As of December 31, 2018 Ocean Township Fire District No. 2 had invested in capital assets for government activities approximately \$4.25 million (net of accumulated depreciation).

Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. The District purchased approximately \$97,700 of capital assets in 2018.

OCEAN TOWNSHIP FIRE DISTRICT NO. 2  
 CAPITAL ASSETS  
 (NET OF ACCUMULATED DEPRECIATION)  
 DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>
Capital assets			
Land	\$ 717,987	\$ 717,987	-
Building and improvements	3,433,670	3,422,957	10,713
Furniture and equipment	710,689	674,719	35,970
Trucks and vehicles	<u>3,796,138</u>	<u>3,990,785</u>	(194,647)
Total capital assets	8,658,484	8,806,448	(147,964)
Accumulated depreciation	<u>(4,409,224)</u>	<u>(4,277,686)</u>	(131,538)
Total capital assets, net	<u>\$ 4,249,260</u>	<u>\$ 4,528,762</u>	(279,502)

Additional information on Ocean Township Fire District No. 2's capital assets can be found in Note 5 in the notes to the financial statements.

**Long-Term Obligations**

Ocean Township Fire District No. 2 currently has a bond issue outstanding at December 31, 2018.

The bond for the construction of the firehouse has a balance of \$265,000 which is due and payable through 2020.

**ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2018, Ocean Township Fire District No. 2 was able to cover all its appropriations through the fire tax levy and other revenues. In 2018 the fire tax levy amounted to 90% of total revenue collected.

Ocean Township Fire District No. 2 adopted their 2019 budget on January 16, 2019. The voters subsequently approved the budget at the February election. The 2019 budget reflects an increase in the tax levy of \$16,375. The Board is utilizing \$25,000 of General Fund surplus to balance the Budget. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$233 in 2018 for fire protection.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Ocean Township Fire District No. 2's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Earl Gifford, Ocean Township Fire District No. 2, 2001 Sunset Avenue, Ocean, New Jersey, 07712.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Statement of Net Position**  
**December 31, 2018**

	<b>Governmental Activities</b>
	<b><u>2018</u></b>
Assets:	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 1,103,641
Due from others (Note 4)	15,456
Prepaid insurance	15,059
Total current assets	1,134,156
Capital assets, net:	
Non-depreciable (Note 5)	717,987
Depreciable (Note 5)	3,531,273
Total capital assets, net	4,249,260
Total assets	5,383,416
Deferred outflows of resources:	
Deferred outflows related to pensions (Note 8)	231,726
Deferred outflows related to other postemployment benefits (Note 9)	47,798
Total deferred outflows of resources	279,524
Total assets and deferred outflows of resources	\$ 5,662,940
Liabilities:	
Current liabilities:	
Accounts payable	\$ 30,178
Accrued professional fees	17,250
Accrued interest	7,950
Accrued payroll	2,933
Accrued pension	31,136
Bonds payable (Note 6)	130,000
Total current liabilities	219,447
Noncurrent liabilities:	
Bonds payable (Note 6)	135,000
Compensated absences (Note 7)	24,560
Net pension liability (Note 8)	599,983
Net other postemployment benefits (Note 9)	1,361,429
Total noncurrent liabilities	2,120,972
Total liabilities	2,340,419
Deferred inflows of resources:	
Deferred inflows related to pensions (Note 8)	205,303
Deferred inflows related to other postemployment benefits (Note 9)	621,763
Total deferred inflows of resources	827,066
Total liabilities and deferred inflows of resources	3,167,485
Net position:	
Investment in capital assets, net of related debt	3,984,260
Restricted for:	
Capital projects	256,439
Unrestricted net position	(1,745,244)
Total net position	2,495,455
Total liabilities, deferred inflows of resources and net position	\$ 5,662,940

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Statement of Activities**  
**For the year ended December 31, 2018**

	<b>Expenses</b>	<b>Charges for Services</b>	<b>Governmental Activities 2018</b>
Government activities:			
Operation appropriations:			
Administration	\$ 156,648	\$ -	\$ (156,648)
Costs of operations and maintenance	1,407,641	90,183	(1,317,458)
Interest expense	19,500	-	(19,500)
	<b>1,583,789</b>	<b>90,183</b>	<b>(1,493,606)</b>
General revenues:			
Miscellaneous revenue			76,158
Investment income			397
Operating grant revenues			3,740
Amount raised by taxation			1,514,388
			<b>1,594,683</b>
Change in net position			101,077
Net position, January 1, unadjusted			4,310,815
Prior period adjustment (Note 13)			(1,916,437)
			<b>2,394,378</b>
Net position, January 1 (restated)			2,394,378
Net position, December 31			<b>\$ 2,495,455</b>

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

## FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>December 31, 2018</u>
<b>Assets:</b>			
Cash	\$ 838,609	\$ 265,032	\$ 1,103,641
Due from others	15,456	-	15,456
Other receivable	8,593	-	8,593
Total assets	<u>\$ 862,658</u>	<u>\$ 265,032</u>	<u>\$ 1,127,690</u>
<b>Liabilities, equity and other credits:</b>			
Accounts payable	\$ 30,178	\$ -	\$ 30,178
Accrued professional fees	17,250	-	17,250
Accrued payroll	2,933	-	2,933
Accrued pension	31,136	-	31,136
Other payable	-	8,593	8,593
Total liabilities	<u>81,497</u>	<u>8,593</u>	<u>90,090</u>
<b>Fund balances</b>			
<b>Restricted for:</b>			
Capital	-	256,439	256,439
<b>Assigned for:</b>			
Subsequent year's expenditures	25,000	-	25,000
Other purposes	117,389	-	117,389
<b>Unassigned, reported in:</b>			
General fund	<u>638,772</u>	<u>-</u>	<u>638,772</u>
Total fund balance	<u>781,161</u>	<u>256,439</u>	<u>1,037,600</u>
Total liabilities and fund balance	<u>\$ 862,658</u>	<u>\$ 265,032</u>	

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

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.	15,059
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,658,484 and the accumulated depreciation is \$4,409,224	4,249,260
Accrued interest and PERS pension payable are not recorded in financial statements of governmental funds.	(7,950)
Deferred outflows and inflows of resources related to pensions, net other post employment benefits liability, net length of service awards program liability are applicable to future reporting periods and therefore, are not reported in the funds.	(547,542)
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(2,250,972)</u>
Net assets of governmental activities	<u>\$ 2,495,455</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended December 31, 2018**

	General Fund	Capital Projects Fund	Debt Service Fund	December 31, 2018
Revenues:				
Miscellaneous anticipated revenue:				
Shared services	\$ 33,425	\$ -	\$ -	\$ 33,425
Investment income	397	-	-	397
Other revenue	42,733	-	-	42,733
Total miscellaneous revenues	76,555	-	-	76,555
Operating grant revenue:				
Supplemental fire service grant	3,740	-	-	3,740
Total operating grant revenue	3,740	-	-	3,740
Revenues offset with appropriations:				
Uniform Fire Safety Act:				
Annual registration fees	38,762	-	-	38,762
Other revenue	51,421	-	-	51,421
Total revenues offset with appropriations	90,183	-	-	90,183
Total revenues	170,478	-	-	170,478
Amount raised by taxation to support district budget				
	1,109,164	215,000	190,224	1,514,388
Total anticipated revenues	1,279,642	215,000	190,224	1,684,866
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	29,673	-	-	29,673
Fringe benefits	67,422	-	-	67,422
Other expenditures:				
Professional fees	41,159	-	-	41,159
Advertising	636	-	-	636
Elections	1,406	-	-	1,406
Office supplies and postage	16,352	-	-	16,352
Total administration	156,648	-	-	156,648
Cost of operations and maintenance:				
Salaries and wages	131,858	-	-	131,858
Fringe benefits	192,407	-	-	192,407
Other expenditures:				
Rental charges	102,257	-	-	102,257
Expense reimbursement	18,732	-	-	18,732
Materials and supplies	23,690	-	-	23,690
Insurance	61,676	-	-	61,676
Building and grounds	50,026	-	-	50,026
Medical fees	4,525	-	-	4,525
Fire prevention	1,052	-	-	1,052
Training and education	36,747	-	-	36,747

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended December 31, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2018</u>
Cost of operations and maintenance (continued):				
Other expenditures (continued):				
Utilities	51,760	-	-	51,760
Dispatch services	15,513	-	-	15,513
Maintenance and repairs	167,347	-	-	167,347
Membership dues and other	1,676	-	-	1,676
SFSG expenses	3,740	-	-	3,740
Other non-bondable assets	36,863	-	-	36,863
Total cost of operations and maintenance	<u>899,869</u>	<u>-</u>	<u>-</u>	<u>899,869</u>
Operating appropriations offset with revenues:				
Salaries and wages	77,831	-	-	77,831
Total operating appropriations offset with revenues	<u>77,831</u>	<u>-</u>	<u>-</u>	<u>77,831</u>
Duly incorporated first aid / rescue squad associations:				
Equipment	1,080	-	-	1,080
Materials and supplies	26,297	-	-	26,297
Total duly incorporated first aid / rescue squad associations	<u>27,377</u>	<u>-</u>	<u>-</u>	<u>27,377</u>
Capital appropriations	-	47,853	-	47,853
Debt service for capital appropriations:				
Bond principal	-	-	120,000	120,000
Interest on bonds	-	-	23,100	23,100
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>143,100</u>	<u>143,100</u>
Total operating appropriations	<u>1,161,725</u>	<u>47,853</u>	<u>143,100</u>	<u>1,352,678</u>
Transfer of fund balance	1,215	(1,215)	-	-
Excess (efficiency) of revenues over (under) expenditures	119,132	165,932	47,124	332,188
Fund balance, January 1	662,029	90,507	(47,124)	705,412
Fund balance, December 31	<u>\$ 781,161</u>	<u>\$ 256,439</u>	<u>\$ -</u>	<u>\$ 1,037,600</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2018**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	332,188
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays-General Fund	49,883	
Capital Outlays-Capital Projects Fund	47,853	
Depreciation Expense	<u>(377,238)</u>	(279,502)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		120,000
<p>Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.</p>		
Prior year	11,550	
Current year	<u>(7,950)</u>	3,600
<p>Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.</p>		
Prior year	(38,552)	
Current year	<u>15,059</u>	(23,493)
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension expense	<u>(30,307)</u>	(30,307)
<p>District other postemployment benefit contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net other postemployment benefit liability is measured a year before the District's report date. Other post employment expense, which is the change in the net other postemployment benefit liability adjusted for changes in deferred outflows and inflows of resources related to other postemployment benefits is reported in the Statement of Activities.</p>		
Other postemployment benefit expense	<u>(18,957)</u>	(18,957)
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid.</p>		
		<u>(2,452)</u>
Changes in net position of governmental activities	\$	<u>101,077</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 2 of the Township of Ocean is a political subdivision of the Township of Ocean, County of Monmouth, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

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

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

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

**B. District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2018:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Alan Dowling	2019
Earl Gifford	2020
Edward Horn	2019
Kevin O'Connor	2021
James Scollay	2021

**C. Accounting Records**

The official accounting records of the Fire District No. 2 of the Township of Ocean are maintained in the office of the District.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units. The District had no component units as of for the year ended December 31, 2018.

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

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

**B. Fund Accounting (continued)**

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.”

Governmental Funds:

*General Fund*

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

*Capital Projects Fund*

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

*Debt Service Fund*

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

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

*District Wide Financial Statements*

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

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

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

are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

*Fund Financial Statements*

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

**D. Basis of Accounting**

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

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

In its accounting and financial reporting, the Fire District No. 2 of the Township of Ocean follows the pronouncements of the Governmental Accounting Standards Board (GASB).

**E. Budgets and Budgetary Accounting**

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

The fire commissioners must introduce and approve the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

**E. Budgets and Budgetary Accounting (continued)**

hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

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

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

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

**F. Encumbrances**

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were \$117,389 in encumbrances as of December 31, 2018.

**G. Cash and Cash Equivalents**

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

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

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

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

**H. Prepaid Expenses**

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

**I. Debt Limitation**

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

**J. Capital Assets**

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

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Building and Improvements	10 to 25 Years
Equipment	5 to 10 Years
Trucks and vehicles	5 to 25 Years

**K. Inventory, Materials and Supplies**

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

**L. Interfund Receivable/Payable**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

**M. Compensated Absences**

Fire District employees are entitled to vacation and sick leave. Unused vacation and sick leave may be accumulated. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employees and included in the current year's budget.

The liability for vested compensated absences is recorded as a non-current liability in the governmental activities fund. The current portion of the compensated absence balance is not considered material to the applicable fund's total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

**N. Revenues and Expenditures**

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

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

**O. Fire District Taxes**

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

**P. Deferred Outflows and Deferred Inflows of Resources**

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

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

**Q. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 2 of the Township of Ocean classifies governmental fund balances as follows:

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

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

**R. Net Position**

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

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

**S. Use of Estimates**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

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

*Adopted Accounting Pronouncements*

The following GASB Statements became effective for the fiscal year ended December 31, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans. This statement was effective and implemented for the year ended December 31, 2018.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement was effective and implemented for the year ended December 31, 2018.

*Recently Issued Accounting Pronouncements*

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

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the District's financial statements.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

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

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the District's financial statements.

**U. Subsequent Events**

Fire District No. 2 of the Township of Ocean has evaluated subsequent events occurring after December 31, 2018 through the date of August 29, 2019, which is the date the financial statements were available to be issued.

**NOTE 3: CASH**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2018, and reported at fair value are as follows:

**Deposits:**

Demand Deposits	\$ 1,103,641
Total Deposits	<u>\$ 1,103,641</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ 1,103,641
Total	<u>\$ 1,103,641</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, the District's bank balance of \$1,112,480 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>862,480</u>
Total	<u>\$ 1,112,480</u>

**NOTE 4: DUE FROM OTHERS**

As of December 31, 2018, the District was owed the following:

State of New Jersey for LEA fees	\$ 11,650
Local registration fees	<u>3,806</u>
Total	<u>\$ 15,456</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 5: CAPITAL ASSETS**

Fixed assets consisted of the following at December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 717,987	\$ -	\$ -	\$ 717,987
Total capital assets that are not being depreciated	<u>717,987</u>	<u>-</u>	<u>-</u>	<u>717,987</u>
Capital assets being depreciated:				
Building and improvements	3,422,957	10,713	-	3,433,670
Furniture and equipment	674,719	39,170	(3,200)	710,689
Trucks and vehicles	<u>3,990,785</u>	<u>47,853</u>	<u>(242,500)</u>	<u>3,796,138</u>
Total capital assets being depreciated	<u>8,088,461</u>	<u>97,736</u>	<u>(245,700)</u>	<u>7,940,497</u>
Less: accumulated depreciation:				
Building and improvements	(2,367,673)	(104,907)	-	(2,472,580)
Furniture and equipment	(425,114)	(49,487)	3,200	(471,401)
Trucks and vehicles	<u>(1,484,899)</u>	<u>(222,844)</u>	<u>242,500</u>	<u>(1,465,243)</u>
Total accumulated depreciation	<u>(4,277,686)</u>	<u>(377,238)</u>	<u>245,700</u>	<u>(4,409,224)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>3,810,775</u>	<u>(279,502)</u>	<u>-</u>	<u>3,531,273</u>
Total capital assets	<u>\$ 4,528,762</u>	<u>\$ (279,502)</u>	<u>\$ -</u>	<u>\$ 4,249,260</u>

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

**NOTE 6: LONG TERM DEBT**

During the fiscal year ended December 31, 2018, the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 12/31/17</u>	<u>Accrued/ increases</u>	<u>(Retired)/ (decreases)</u>	<u>Balance 12/31/18</u>	<u>Due within One Year</u>
Governmental activities:					
General serial bonds	\$ 385,000	\$ -	\$ (120,000)	\$ 265,000	\$ 130,000
Compensated absences	22,108	2,452	-	24,560	-
Net pension liability	568,370	31,613	-	599,983	-
Net other postemployment benefit liability	<u>1,751,266</u>	<u>-</u>	<u>(389,837)</u>	<u>1,361,429</u>	<u>-</u>
Total	<u>\$ 2,726,744</u>	<u>\$ 34,065</u>	<u>\$ (509,837)</u>	<u>\$ 2,250,972</u>	<u>\$ 130,000</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 6: LONG TERM DEBT (continued)**

**A. Bonds Payable**

Bonds and leases are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. On July 1, 2000, the Fire District issued \$1,700,000 general obligation bonds at an interest rate of 5.00% - 6.00% for the construction of a fire house. The final maturity of these bonds is July 1, 2020. The bond will be paid from property tax revenue.

The following is a schedule of future minimum bond payments at December 31, 2018:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 130,000	\$ 15,900	\$ 145,900
2020	<u>135,000</u>	<u>8,100</u>	<u>143,100</u>
Total	<u>\$ 265,000</u>	<u>\$ 24,000</u>	<u>\$ 289,000</u>

**NOTE 7: COMPENSATED ABSENCES**

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2018, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<b><u>2018</u></b>
Total compensated absences	<u>\$24,560</u>

**NOTE 8: PENSION OBLIGATIONS**

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

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

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS**

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

The following represents the membership tiers for PERS:

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

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

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

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

**Contributions** – The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the District's contractually required contribution to PERS plan was \$30,310.

**Components of Net Pension Liability** – At December 31, 2018, the District's proportionate share of the PERS net pension liability was \$599,983. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The District's proportion measured as of June 30, 2018, was 0.0030472200% which was an increase of 0.0006056002% from its proportion measured as of June 30, 2017.

**Balances at December 31, 2018 and December 31, 2017**

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 231,726	\$ 145,303
Deferred Inflows of Resources	205,303	120,186
Net Pension Liability	599,983	568,370
District's portion of the Plan's total Net Pension Liability	0.00305%	0.00244%

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2018, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$60,615. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ 11,442	\$ 3,094
Changes of Assumptions	98,867	191,843
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	5,628
Changes in Proportion and Differences between District's contributions and Proportion Share of Contributions	<u>121,417</u>	<u>4,738</u>
	<u>\$ 231,726</u>	<u>\$ 205,303</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between District's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 18,193
2020	15,144
2021	19,666
2022	(31,231)
2023	<u>4,651</u>
	<u>\$ 26,423</u>

**Actuarial Assumptions** – The total pension liability for the June 30, 2018 measurement date was determined by using an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

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

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long-Term Expected Rate of Return** – In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

**Discount Rate** – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	<b>1 % Decrease <u>(4.66%)</u></b>	<b>Current Discount Rate <u>(5.66%)</u></b>	<b>1% Increase <u>(6.66%)</u></b>
Fire District No. 2 of the Township of Ocean's Proportionate Share of the Net Pension Liability	<u>\$ 754,409</u>	<u>\$ 599,982</u>	<u>\$ 470,429</u>

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS**

**General Information about the OPEB Plan**

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**General Information about the OPEB Plan (continued)**

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**Basis of Presentation**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Allocation Methodology**

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**Net OPEB Liability**

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98% based on age
Thereafter	2.65% - 9.98% based on age

\* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

**OPEB Obligation and OPEB Expense**

The District's proportionate share of the total Other Post-Employment Benefits Obligations was \$1,361,429.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the District was based on projection of the State's long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the District was 0.008690%, which was an increase of 0.000112% from its proportion measured as of June 30, 2017.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Obligation and OPEB Expense (continued)**

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$60,212 for the State's proportionate share of the OPEB expense attributable to the District. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

*Health Care Trend Assumptions*

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*Discount Rate*

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<b>June 30, 2018</b>		
	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State of New Jersey's proportionate share of total OPEB obligations associated with the District	\$ 1,597,316	\$ 1,361,429	\$ 1,173,009
State of New Jersey's total Net OPEB Liability	\$18,381,085,096	\$15,666,618,141	\$13,498,373,388

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:**

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>June 30, 2018</b>		
	1% Decrease	Health Care Trend Rate	1% Increase
State of New Jersey's proportionate share of total OPEB obligations associated with the District	\$ 1,135,650	\$ 1,361,429	\$ 1,653,620
State of New Jersey's total Net OPEB Liability	\$13,068,471,450	\$15,666,618,141	\$19,029,006,023

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Additional Information** – The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2018:

**Balances at December 31, 2018 and December 31, 2017**

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 47,798	\$ 29,205
Deferred Inflows of Resources	621,763	194,376
Net OPEB Liability	1,361,429	1,751,266
 District's portion of the Plan's total Net OPEB Liability	 0.00869%	 0.00858%

**OPEB Deferred Outflows/Inflows of Resources** – At December 31, 2018, the District's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2018 measurement date is \$47,798 and \$621,763, respectively. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience on OPEB Plan Investments	\$ -	\$ 276,419
Change in proportions	47,079	-
Change in assumptions	-	345,344
Net differences between expected and actual earnings on OPEB Plan Investments	719	-
	<u>\$ 47,798</u>	<u>\$ 621,763</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Deferred Outflows/Inflows of Resources (continued)**

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

Fiscal year ending December 31,	
2019	\$ (83,605)
2020	(83,605)
2021	(83,605)
2022	(83,680)
2023	(83,806)
Thereafter	<u>(155,664)</u>
	<u>\$ (573,965)</u>

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

**Plan Membership**

At June 30, 2017, the Program membership consisted of the following:

	<u>June 30, 2017</u>
Active Plan Members	61,789
Inactive Plan Members or Beneficiaries currently receiving benefits	<u>26,277</u>
	<u>88,066</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Changes in the Total OPEB Liability**

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

Service Cost	\$ 896,235,148
Interest on total OPEB liability	764,082,232
Differences between expected and actual experience	(3,626,384,047)
Changes in assumptions	(2,314,240,675)
Contributions from the employer	(421,194,662)
Contributions from non-employer contributing entity	(53,548,285)
Net investment income	(2,320,422)
Administrative expenses	<u>8,200,113</u>
Net change in total Net OPEB Liability	(4,749,170,598)
Total OPEB liability (beginning)	<u>20,415,788,739</u>
Total OPEB liability (ending)	<u>\$ 15,666,618,141</u>

**NOTE 10: INTERFUND RECEIVABLE/PAYABLE**

The purpose of the interfunds is for short-term borrowing. As of December 31, 2018, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 8,593	\$ -
Capital Projects	<u>-</u>	<u>8,593</u>
Total	<u>\$ 8,593</u>	<u>\$ 8,593</u>

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 212,656	\$ -
Capital Projects	-	165,532
Debt service	<u>-</u>	<u>47,124</u>
Total	<u>\$ 212,656</u>	<u>\$ 212,656</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 11: FUNDING**

The activities of the Board of Commissioners are primarily funded by the tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2018, the fire tax rate on the Fire District No. 2 was \$.095 per \$100 of assessed valuation.

The District also participates in the Supplemental Fire Services Programs and received a basic entitlement grant of approximately \$3,740. As a condition of the grant, the Board must match the grant by 10%.

**NOTE 12: FUND BALANCE**

**General Fund** – Of the \$781,161 General Fund fund balance at December 31, 2018, \$25,000 is assigned for subsequent year’s expenditures, \$117,389 is assigned for other purposes, and \$638,772 is unassigned.

**Capital Projects Fund** – Of the \$256,439 Capital Projects fund balance at December 31, 2018 \$256,439 is restricted for capital.

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

**NOTE 13: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74.

	<u>Governmental Activities</u>
Net position as previously reported at December 31, 2017	\$ 4,310,812
Implementation of GASB 75:	
Net other postemployment benefit liability (measurement date as of June 30, 2017)	(1,751,266)
Deferred inflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	(194,376)
Deferred outflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	<u>29,205</u>
Total prior period adjustment	<u>(1,916,437)</u>
Net position as restated January 1, 2018	<u>\$ 2,394,378</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 14: DEFICIT UNRESTRICTED NET POSITION**

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(1,745,244) existed as of December 31, 2018 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension and long-term liability of other post retirement benefits. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities is not an indication that the District is facing financial difficulties or going concern issues.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2018**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Shared services	\$ 33,900	\$ 33,900	\$ 33,425	\$ (475)
Investment income	400	400	397	(3)
Other revenue	83,000	83,000	42,733	(40,267)
Total miscellaneous revenues	<u>117,300</u>	<u>117,300</u>	<u>76,555</u>	<u>(40,745)</u>
Operating grant revenue:				
Supplemental fire service grant	3,740	3,740	3,740	-
FEMA grant	-	67,938	-	(67,938)
Total operating grant revenue	<u>3,740</u>	<u>71,678</u>	<u>3,740</u>	<u>(67,938)</u>
Revenues offset with appropriations:				
Uniform Fire Safety Act				
Annual registration fees	39,720	39,720	38,762	(958)
Other revenue	37,925	37,925	51,421	13,496
Total revenues offset with appropriations	<u>77,645</u>	<u>77,645</u>	<u>90,183</u>	<u>12,538</u>
Total revenues	<u>198,685</u>	<u>266,623</u>	<u>170,478</u>	<u>(96,145)</u>
Amount raised by taxation to support district budget				
	<u>1,514,388</u>	<u>1,514,388</u>	<u>1,514,388</u>	<u>-</u>
Total anticipated revenues	<u>1,713,073</u>	<u>1,781,011</u>	<u>1,684,866</u>	<u>(96,145)</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	29,750	33,250	29,673	3,577
Fringe benefits	189,778	161,578	67,422	94,156
Other expenditures:				
Professional fees	55,000	45,000	41,159	3,841
Advertising	800	800	636	164
Elections	1,500	1,500	1,406	94
Office supplies and postage	8,500	17,100	16,352	748
Total administration	<u>285,328</u>	<u>259,228</u>	<u>156,648</u>	<u>102,580</u>
Cost of operations and maintenance:				
Salaries and wages	128,194	131,894	131,858	36
Fringe benefits	123,471	123,471	192,407	(68,936)
Other expenditures:				
Rental charges	115,000	115,000	102,257	12,743
Expense reimbursement	12,000	18,800	18,732	68
Materials and supplies	36,500	15,500	23,690	(8,190)
Insurance	90,000	80,000	61,676	18,324
Building and grounds	75,000	99,500	50,026	49,474
Medical fees	7,000	7,000	4,525	2,475
Fire prevention	1,200	1,200	1,052	148
Training and education	45,000	40,000	36,747	3,253
Contingencies	2,000	2,000	-	2,000

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN  
Budgetary Comparison Schedule  
For the year ended December 31, 2018

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance (continued):				
Other expenditures (continued):				
Utilities	61,000	56,000	51,760	4,240
Uniforms	1,500	1,500	-	1,500
Dispatch services	16,000	16,000	15,513	487
Maintenance and repairs	84,200	162,700	167,347	(4,647)
Membership dues and other	1,500	1,700	1,676	24
SFSG expenses	3,740	3,740	3,740	-
Other non-bondable assets	116,000	173,938	36,863	137,075
Total cost of operations and maintenance	<u>919,305</u>	<u>1,049,943</u>	<u>899,869</u>	<u>150,074</u>
Operating appropriations offset with revenues:				
Salaries and wages	77,645	77,845	77,831	14
Total operating appropriations offset with revenues	<u>77,645</u>	<u>77,845</u>	<u>77,831</u>	<u>14</u>
Duly incorporated first aid / rescue squad associations:				
Equipment	4,800	4,800	1,080	3,720
Materials and supplies	34,771	34,771	26,297	8,474
Total duly incorporated first aid / rescue squad associations	<u>39,571</u>	<u>39,571</u>	<u>27,377</u>	<u>12,194</u>
Capital appropriations:				
Capital assets	290,000	290,000	47,853	242,147
Total capital appropriations	<u>290,000</u>	<u>290,000</u>	<u>47,853</u>	<u>242,147</u>
Debt service for capital appropriations:				
Bond principal	120,000	120,000	120,000	-
Interest on bonds	23,100	23,100	23,100	-
Capital leases	45,203	45,203	-	45,203
Interest on capital leases	1,921	1,921	-	1,921
Total debt service for capital appropriations	<u>190,224</u>	<u>190,224</u>	<u>143,100</u>	<u>47,124</u>
Total operating appropriations	<u>1,802,073</u>	<u>1,906,811</u>	<u>1,352,678</u>	<u>554,133</u>
Excess (deficiency) of revenues under (over) expenditures	(89,000)	(125,800)	332,188	457,988
Fund balance, January 1	705,412	705,412	705,412	-
Fund balance, December 31	<u>\$ 616,412</u>	<u>\$ 579,612</u>	<u>\$ 1,037,600</u>	<u>\$ 457,988</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement System**  
**Last Six Fiscal Years \***

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.00305%	0.00244%	0.00248%	0.00242%	0.00237%	0.00234%
District's Proportionate Share of the Net Pension Liability	\$ 599,983	\$ 568,370	\$ 733,272	\$ 543,411	\$ 444,230	\$ 447,844
District's Covered-Employee Payroll	\$ 179,406	\$ 170,099	\$ 170,131	\$ 167,011	\$ 167,011	\$ 164,591
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	334.43%	334.14%	431.00%	325.37%	265.99%	272.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	52.08%

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Schedule of District Contributions**  
**Public Employees' Retirement System**  
**Last Six Fiscal Years \***

	<b>Year Ended December 31,</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
District's Contractually Required Contribution	\$ 30,310	\$ 22,619	\$ 22,806	\$ 21,615	\$ 20,357	\$ 18,436
District's Contribution in Relation to the Contractually Required Contribution	<u>(30,310)</u>	<u>(22,619)</u>	<u>(22,806)</u>	<u>(21,615)</u>	<u>(20,357)</u>	<u>(18,436)</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 220,781	\$ 179,406	\$ 170,099	\$ 170,131	\$ 167,011	\$ 167,011
District's Contributions as a Percentage of it's Covered-Employee Payroll	13.73%	12.61%	13.41%	12.70%	12.19%	11.00%

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefit Liability**  
**Last Three Fiscal Years \***

	<b>Measurement Date Ended June 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
District's Proportion of the Other Postemployment Benefit Liability (asset)	0.00869%	0.00858%	0.00843%
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset)	\$ 1,361,429	\$ 1,751,266	\$ 1,829,914
District's Covered-employee Payroll	\$ 179,406	\$ 170,099	\$ 170,131
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset) as a Percentage of its Covered-employee Payroll	758.85%	1029.56%	1075.59%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefit Liability	1.97%	1.03%	0.69%

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2018**

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

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

The discount rate changed from 5.00% as of June 30, 2017, to 5.66% as of June 30, 2018.

**State Health Benefit Local Retired Employees Plan (OPEB)**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.

EXHIBIT I-1

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF OCEAN  
 Long-Term Debt  
 Schedule of Serial Bonds Payable  
 For the year ended December 31, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Balance January 1, 2018	Issued	Retired	Balance December 31, 2018
			Date	Amount				
General Obligation Bonds, 2000	7/1/2000	\$ 1,700,000			\$ 385,000	\$ -	\$ 120,000	\$ 265,000
			\$ 130,000					
			\$ 135,000					
			Total \$		\$ 385,000	\$ -	\$ 120,000	\$ 265,000



Board of Fire Commissioners  
Fire District No. 2 of the Township of Ocean  
County of Monmouth  
Township of Ocean, New Jersey

We have audited the basic financial statements of the Fire District No. 2 of the Township of Ocean, County of Monmouth, State of New Jersey for the year ended December 31, 2018. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

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

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

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

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

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

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

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

## **General Ledger**

The general ledger was complete with the required journal entries.

## **Examination of Bills**

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

## **Examination of Cash Receipts**

A test check of cash receipts was made.

## **Follow-up on Prior Years' Findings**

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. Corrective action had been taken on all prior year findings.

## **Acknowledgment**

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

Should you have any questions, please contact us.

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

August 29, 2019  
Toms River, New Jersey