

TOWNSHIP OF WALL
FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017

**ROBERT A. HULSART & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
2807 HURLEY POND ROAD, SUITE 100
WALL, NEW JERSEY 07719**

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

COUNTY OF MONMOUTH

TABLE OF CONTENTS

Page

PART I

ACCOUNTANT'S REPORT OF THE DISTRICT'S FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Independent Auditor's Report 1 to 3.

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis 4 to 9.

Basic Financial Statements

A.	District-Wide Financial Statements:	
	A-1 Statement of Net Position	10.
	A-2 Statement of Activities	11.
B.	Fund Financial Statements:	
	Governmental Funds:	
	B-1 Balance Sheet – Governmental Funds	12.
	B-2 Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13.
	B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	14.
	Notes to Financial Statements	15 to 34.

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

COUNTY OF MONMOUTH

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
<u>PART II</u>		
<u>SUPPLEMENTARY INFORMATION</u>		
C.	Budgetary Comparison Schedules:	
	C-1 Budgetary Comparison Schedule – General Fund	35 & 36.
	C-2 Budgetary Comparison Schedule – Special Revenue Fund	N/A
	C-3 Required Supplementary Information – Budgetary Comparison Schedule – Note to RSI	37.
F.	Capital Projects Fund	
	F-1 Statement of Revenues and Expenditures	38.
	F-2 Summary of Project Expenditures	39.
H	Length of Service Award Program	
	H-1 Comparative Statement of Net Position Available for Program Benefits	40.
	H-2 Comparative Statement of Changes in Net Position Available for Program Benefits	41.
	H-3 Schedule of Investment Program Activity	42.
I.	Debt Service Fund	
	I-1 Schedule of Serial Bonds	43.
	I-2 Schedule of Obligations Under Capital Leases	44.
	I-3 Budgetary Comparison Schedule	45.
	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	46 & 47.

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

COUNTY OF MONMOUTH

TABLE OF CONTENTS

Page

PART III

COMMENTS AND RECOMMENDATIONS

Schedule of Findings and Recommendations	48.
Summary Schedule of Prior Year Audit Findings	49.
Appreciation	50.

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

COUNTY OF MONMOUTH

PART I

ACCOUNTANT'S REPORT OF THE DISTRICT'S FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Wall Township Fire District #2
Wall, New Jersey

Report on Financial Statements

We have audited the accompanying financial statements of the Township of Wall Fire District No. 2 (the "District"), in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2017, and the related notes to 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2017, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Auditing 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

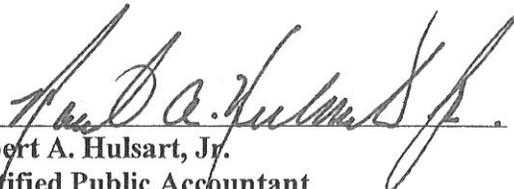
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information, referred to in the preceding paragraph, is the responsibility of management and was 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Robert A. Hulsart, Jr.
Certified Public Accountant

Wall Township, New Jersey
September 28, 2018

REQUIRED SUPPLEMENTARY INFORMATION

WALL TOWNSHIP FIRE DISTRICT NO. 2
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

As management of the Wall Township Fire District No. 2, we offer readers of the Wall Township Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Wall Township Fire District No. 2 for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Township of Wall Fire District No. 2's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Wall Township Fire District No. 2's financial performance.

Financial Highlights

- The assets of Wall Township Fire District No. 2 exceeded its liabilities at the close of the most recent year by \$858,402 (net position).
- As of the close of the current year, the Wall Township Fire District No. 2's governmental funds reported combined ending fund balances of \$1,177,469, an increase of \$8,531 in comparison with the prior year, due to results of normal operations.
- At the end of the current year, undesignated fund balance for the general fund was \$485,729.
- The total debt of Wall Township Fire District No. 2 increased by \$970,268 as a result of normal pay downs on bonds and an increase in capital leases for a new fire truck.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Wall Township Fire District No. 2's basic financial statements. The Wall Township Fire District No. 2's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

District-wide Financial Statements – The district-wide financial statements are designed to provide readers with a broad overview of the Wall Township Fire District No. 2's finances, in a manner similar to a private sector business.

District-wide Financial Statements (Continued) – The Statement of Net Position presents information on all of the Wall Township Fire District No. 2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Wall Township Fire District No. 2 is improving or deteriorating.

The Statement of Activities presents information showing how the Wall Township Fire District No. 2's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the Wall Township Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Wall Township Fire District No. 2 include fire-fighting and emergency medical services that are provided to the citizens of the Wall Township Fire District No. 2.

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. The Wall Township Fire District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Wall Township Fire District No. 2 constitute one fund type, governmental funds.

Governmental Funds – All of the Wall Township Fire District No. 2's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Wall Township Fire District No. 2's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Wall Township Fire District No. 2 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balances for the general fund, special revenue fund, capital projects fund and the debt service fund.

The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, Wall Township Fire District No. 2 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Notes to the Financial Statements – The notes 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 financial statements are an integral part of the financial statements.

District-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the Wall Township Fire District No. 2, assets exceeded liabilities by \$358,402 at the close of the most recent year.

The largest portion of the Wall Township Fire District No. 2's net position (62 percent) reflects future investment in capital assets (i.e. buildings and equipment). The Wall Township Fire District No. 2 uses these assets to provide fire-fighting services to the citizens of the Wall Township Fire District No. 2; consequently these assets are not available for future spending. Although the Wall Township Fire District No. 2's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

Wall Township Fire District No. 2

Net Position

December 31, 2017

Current and Other Assets	\$ 1,318,647
Capital Assets	<u>3,770,666</u>
	<u>5,089,313</u>
Other Liabilities	<u>4,230,911</u>
Total Liabilities	<u>4,230,911</u>
Net Position	<u>\$ 858,402</u>

Analysis of Net Position

Invested in Capital Assets Net of Related Debt	\$ 257,333
Restricted	445,773
Unrestricted	<u>155,296</u>
Total Net Position	<u>\$ 858,402</u>

The restricted portion of the Wall Township Fire District No. 2's net position (28 percent) represents resources that are subject to external restrictions on how they may be used.

In total, net position of governmental activities decreased by \$760,536. For the 2017 year, capital assets are reported net of accumulated depreciation that as of December 31, 2017 was \$3,770,666.

Governmental Activities – The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Key elements of the decrease in governmental activities are as follows:

Expenses:	
Administration	\$ 64,821
Cost of Operations and Maintenance	665,607
LOSAP Contribution	8,211
Depreciation	630,670
Interest and Other Charges	<u>69,009</u>
Total Program Expenses	<u>1,438,318</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,149,591
Miscellaneous Income	<u>28,191</u>
Total General Revenues	<u>1,177,782</u>
Decrease in Net Position	(260,536)
Net Position, January 1	<u>1,118,938</u>
Net Position, December 31	<u>\$ 858,402</u>

Property taxes constituted 98.0% of revenues for government activities for the Fire District for the year 2017.

Cost of operations and maintenance comprises 60% of fire district expenses, with administration comprising 3% and LOSAP 1%, interest and related charges 3%, and depreciation 33%.

Financial Analysis of the Government Funds

As stated earlier, the Wall Township Fire District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund – The focus of the Wall Township Fire District No. 2's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Wall Township Fire District No. 2's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Wall Township Fire District No. 2's governmental funds reported combined ending fund balances of \$1,177,469, an increase of \$67,988 in comparison with the prior year. The increase is attributable to normal operations and an increase in miscellaneous income.

Governmental Fund (Continued) – Of the combined ending fund balances of \$1,177,469, unreserved fund balances constituted \$921,729. Of the unreserved fund balance, \$436,000 has been utilized in the 2018 budget for Wall Township Fire District No. 2; and \$245,967 is reserved for future capital outlays.

The general fund is the main operating fund of the Wall Township Fire District No. 2. At the end of the current year, undesignated fund balance of the general fund was \$921,729, while the total fund balance was \$1,177,469.

The fund balance of the Wall Township Fire District No. 2's general fund decreased by \$69,012 during the current year due to normal operations.

General Fund Budgetary Highlights

During the course of the 2017 year the Wall Township Fire District No. 2 did not modify its general fund budget.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$1,301,461. The original budgetary estimate was the same.

During the year 2017, the Wall Township Fire District No. 2 budgeted \$1,491,591 for property taxes (local tax levy).

The final budgetary basis expenditures appropriation estimate was \$1,301,461. The original budgetary estimate was \$1,301,461.

Capital Assets and Debt Administration

Capital Assets – The Wall Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$3,770,666 (net of accumulated depreciation). This investment in capital assets includes land, vehicles, equipment and construction in progress. Wall Township Fire District No. 2 acquired new Capital assets during 2017 for a new fire truck of \$879,000.

At the end of 2017 the Wall Township Fire District No. 2 had \$7,989,717 invested in buildings, land, site improvements, vehicles and equipment. The accumulated depreciation on these items was \$4,291,051.

Wall Township Fire District No. 2**Capital Assets****(Net of Accumulated Depreciation)****December 31, 2017**

Land	\$ 26,000
Firehouse and Improvements	4,503,724
Apparatus	2,114,523
Vehicles and Equipment	<u>1,345,470</u>
	7,989,717
Less: Accumulated Depreciation	<u>(4,219,051)</u>
	<u>\$ 3,770,666</u>

Additional information on the Wall Township Fire District No. 2's capital assets can be found in Note 5 in the Notes to Financial Statements.

Additional information on the Wall Township District No. 2's debt service requirements can be found in Note 6 in the Notes to Financial Statements.

Economic Factors and Next Years Budget

For the 2017 year the Wall Township Fire District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 97% of total revenue is from the local tax levy, while the remaining 3% is from other sources.

The Board of Fire Commissioners adopted the 2017 budget January 29, 2017 and the voters subsequently approved the budget at the annual fire district election held on February 22, 2017.

Requests for Information

This financial report is designed to provide a general overview of the Wall Township Fire District No. 2's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chris Rosenfeld, District Captain at Wall Township Fire District No. 2, P.O. Box 1405, Wall, New Jersey 07719.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF WALL FIRE DISTRICT NO. 2STATEMENT OF NET POSITION

Exhibit A-1

DECEMBER 31, 2017

	<u>Governmental Activities</u>
Assets:	
Cash and Cash Equivalents	\$ 1,207,226
Capital Assets not Depreciated	26,000
Capital Assets, Net (Note 4)	<u>3,744,666</u>
Total Assets	<u>\$ 4,977,892</u>
Deferred Outflow of Resources:	
Contribution to Pension Plan	<u>\$ 111,421</u>
Deferred Inflow of Resources:	
Pension Deferrals	<u>\$ 160,392</u>
Liabilities:	
Accounts Payable	\$ 29,757
Non-Current Liabilities:	
Due Within One Year	531,628
Due Beyond One Year	<u>3,509,134</u>
Total Liabilities	<u>\$ 4,070,519</u>
Net Position:	
Invested in Capital Assets, Net of Related Debt	\$ 257,333
Restricted	445,773
Unrestricted	<u>155,296</u>
Total Net Position	<u>\$ 858,402</u>

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

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

STATEMENT OF ACTIVITIES

Exhibit A-2

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Governmental Activities</u>
Expenses:	
Operating Appropriations:	
Administration	\$ 64,821
Cost of Operations and Maintenance	665,607
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c.388)	8,211
Depreciation	630,670
Interest and Other Charges	69,009
Total Program Expenses	<u>1,438,318</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,149,591
Miscellaneous Income	28,191
Total General Revenues	<u>1,177,782</u>
Increase/(Decrease) in Net Position	(260,536)
Net Position, January 1	<u>1,118,938</u>
Net Position, December 31	<u>\$ 858,402</u>

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

FUND FINANCIAL STATEMENTS

WALL TOWNSHIP FIRE DISTRICT NO. 2BALANCE SHEET

Exhibit B-1

GOVERNMENTAL FUNDSDECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 961,259	245,967	1,207,226
Total Assets	<u>\$ 961,259</u>	<u>245,967</u>	<u>1,207,226</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$ 29,757		29,757
Total Liabilities	<u>29,757</u>	<u>-</u>	<u>29,757</u>
Fund Balances:			
Reserved for:			
Future Capital Outlays	9,773		9,773
Unreserved:			
Designated for:			
Subsequent Year's Expenditures	436,000		436,000
Undesignated, Reported in:			
Capital Projects Fund		245,967	245,967
General Fund	485,729		485,729
Total Fund Balances	<u>931,502</u>	<u>245,967</u>	<u>1,177,469</u>
Total Liabilities and Fund Balances	<u>\$ 961,259</u>	<u>245,967</u>	
Amounts reported for <i>Governmental Activities</i> in the Statement of Net Position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,989,717 and the accumulated depreciation is \$4,291,051.			3,770,666
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.			(4,040,762)
Deferred Outflow of Resources - Contributions to the Pension Plan			111,421
Deferred Inflow of Resources - Acquisition of Assets Applicable to Future Reporting Periods			<u>(160,392)</u>
Net position of governmental activities			<u>\$ 858,402</u>

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

WALL TOWNSHIP FIRE DISTRICT NO. 2

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:				
Amount to be Raised by Taxation to Support the District Budget	\$ 882,773		266,818	1,149,591
Non-Budgetary Revenues	28,191			28,191
Total Revenues	<u>910,964</u>	<u>-</u>	<u>266,818</u>	<u>1,177,782</u>
Expenditures:				
Operating Appropriations:				
Administration	64,821			64,821
Cost of Operations and Maintenance	699,108			699,108
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	8,211			8,211
Capital Lease	70,836			70,836
Debt Service			266,818	266,818
Total Expenditures	<u>842,976</u>	<u>-</u>	<u>266,818</u>	<u>1,109,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>67,988</u>	<u>-</u>	<u>-</u>	<u>67,988</u>
Other Financing Sources/Uses:				
Transfer to Capital	<u>(137,000)</u>	<u>137,000</u>		<u>-</u>
Net Change in Fund Balances	(69,012)	137,000	-	67,988
Fund Balance, January 1	<u>1,000,514</u>	<u>108,967</u>		<u>1,109,481</u>
Fund Balance, December 31	<u>\$ 931,502</u>	<u>245,967</u>	<u>-</u>	<u>1,177,469</u>

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

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

Exhibit B-3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESFOR THE YEAR ENDED DECEMBER 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 67,988
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(630,670)
Repayment of Bond Principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities	268,645
Change in Net Pension Liability	140,087
Contributions to the pension plan in the current fiscal year are deferred Outflows of resources on the Statement of Net Position	(34,753)
Pension Related Deferrals	<u>(71,833)</u>
Change in Net Position of Governmental Activities	<u>\$ (260,536)</u>

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

TOWNSHIP OF WALL FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity – Fire District No. 2 of the Township of Wall is a political subdivision of the Township of Wall, Monmouth County, New Jersey. It was formed through the adoption of a Township ordinance. A board of five commissioners oversees all 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 N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Fire District No. 2 of the Township of Wall has one fire company within its jurisdiction, the Glendola Fire Company.

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*. As of December 31, 2017, it has been determined by the Fire District that no component units exist.

Basis of Presentation – The financial statements of the Township of Wall Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District’s accounting policies are described in this Note.

The Fire District’s basic financial statements consist of district-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

District-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the government. The Statement of Net Position presents the financial condition of the governmental activities of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

Fund Financial Statements – During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, that being governmental.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to be fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major 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 its 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.

Special Revenue Fund – The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

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 fire houses 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 on the ballot either during the annual election or at a special election.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Measurement Focus

District-wide Financial Statements – The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the Statement of Net Assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

Basis of Accounting – Basis of accounting determines when transaction are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, elimination's, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under an established payment schedule. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets/Budgetary Control – 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 not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval.

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 District's basic fund financial statements.

Amounts reported under "final budget" on Exhibit C-1 and I-3 includes modification to the adopted budgets that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year-end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

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 in governmental funds other than 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 or and services.

Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred revenues at year-end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances (Continued) – The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year-end.

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

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

Additionally, the Fire District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

Inventories and Prepaid Expenses – Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2017, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2017. The District had no prepaid expenses as of December 31, 2017.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Interfund Receivables/Payables – Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position.

Capital Assets – General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000. The Fire District does not possess an infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materiality extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 Years
Vehicles	6-25 Years
Firefighting Equipment	10 Years

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations – All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position – Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves – The Fire District reserves portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, excess surplus, and capital reserve account.

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

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

Investments are stated at cost or amortized cost, which approximates market. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank of Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of December 31, 2017, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>
Checking Account	<u>\$ 1,207,226</u>

During the period ended December 31, 2017, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at December 31, 2017 was \$1,207,226 and the bank balance was \$1,272,765. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,022,765 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories described below:

FDIC	\$ 250,000
GUDPA	<u>1,022,765</u>
	<u>\$ 1,272,765</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

NOTE 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years.

<u>Year</u>	<u>Valuations</u>	<u>Tax Levy</u>	<u>Tax Rates</u>
2017	\$ 2,346,208.965	1,149,591	0.049
2016	2,350,562,592	1,127,050	0.048
2015	1,472,713,344	1,124,811	0.077
2014	1,485,544,082	1,036,547	0.070
2013	1,495,647,926	1,028,080	0.069

NOTE 4: CAPITAL ASSETS

Capital assets together with accumulated depreciation and estimated useful lives consist of the following:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life (Years)</u>
Land	\$ 26,000	26,000	
Firehouses and Improvements	4,503,724	4,503,724	30
Apparatus	2,114,523	2,114,523	10
Vehicles and Equipment	<u>1,345,470</u>	<u>466,470</u>	5
	7,989,717	7,110,717	
Less: Accumulated Depreciation	<u>4,219,051</u>	<u>3,588,381</u>	
	<u>\$ 3,770,666</u>	<u>3,522,336</u>	

Depreciation expense was charged to the following governmental functions:

Cost of Operations and Maintenance	\$630,670
------------------------------------	-----------

NOTE 5: GENERAL LONG-TERM DEBT

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Long-Term Portion</u>	<u>Amount Due In One Year</u>
Pension Liability	\$ 641,516		140,087	501,429	501,429	
Capital Leases Payable	398,978	879,000	63,645	1,214,333	892,705	321,628
Bonds Payable	<u>2,530,000</u>		<u>205,000</u>	<u>2,325,000</u>	<u>2,115,000</u>	<u>210,000</u>
	<u>\$ 3,570,494</u>	<u>879,000</u>	<u>408,732</u>	<u>4,040,762</u>	<u>3,509,134</u>	<u>531,628</u>

NOTE 5: GENERAL LONG-TERM DEBT (Continued)**Bonds Payable**

On December 14, 2016, the Board of Fire Commissioners issued refunding bonds to refund \$2,350,000 of the outstanding 2007 bonds which had a balance of \$2,455,000 as of December 31, 2016. The series 2016 bonds are dated June 15, 2017. Interest is payable semi-annually on June 15 and December 15, commencing June 15, 2017. The interest rate is 2.630% for the entire period of issue through June 15, 2017.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 210,000	52,392	262,392
2019	215,000	47,377	262,377
2020	220,000	42,244	262,244
2021	225,000	36,993	261,993
2022	235,000	31,565	266,565
2023-2027	<u>1,220,000</u>	<u>73,160</u>	<u>1,293,160</u>
	<u>\$ 2,325,000</u>	<u>283,731</u>	<u>2,608,731</u>

Capital Lease Obligation Payable

The Board entered into a lease with option to purchase agreement for a tower ladder fire truck. The lease dated as of November 1, 2012 in the amount of \$643,000 is payable in annual installments of \$70,836 and bears interest at a rate of 1.80%.

The following is a schedule of future lease payments under the lease together with the present value of the lease payments as of November 1, 2015:

<u>Due Date</u>	
November 1, 2018	\$ 70,836
November 1, 2019	70,836
November 1, 2020	70,836
November 1, 2021	70,836
November 1, 2022	<u>70,836</u>
Total Lease Payments	<u>354,180</u>
Less: Amount Representing Interest	<u>(18,847)</u>
Present Value of Lease Payments	<u>\$ 335,333</u>

NOTE 5: GENERAL LONG-TERM DEBT (Continued)**Capital Leases**

On August 27, 2017 the Fire District entered into a lease to purchase a new Fire Truck for \$879,000 at an interest rate of .352% maturing 8/23/2027 as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Principal Balance</u>
2018	\$ 256,837	20,673	622,163
2019	62,878	14,633	559,285
2020	64,357	13,153	494,928
2021	65,870	11,640	429,058
2022	67,419	10,091	361,639
2023	69,005	8,505	292,634
2024	70,628	6,882	222,006
2025	72,289	5,221	149,717
2026	73,989	3,521	75,728
2027	<u>75,728</u>	<u>1,781</u>	
	<u>\$ 879,000</u>	<u>96,100</u>	

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2016, the following changes occurred in long-term obligations:

	<u>Outstanding Jan. 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding Dec. 31, 2017</u>	<u>Due Within One Year</u>
Long Term Debt:					
Pension Liability	<u>\$ 641,516</u>	<u>359,913</u>	<u>0</u>	<u>1,001,429</u>	<u>0</u>

NOTE 7: RISK MANAGEMENT

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

Property and Liability Insurance – The Fire District maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 8: PENSION OBLIGATIONS

A. Public Employee's Retirement System (PERS)

Plan Description – The State of New Jersey, Public Employee's 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 the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of $1/55^{\text{th}}$ 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 $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive 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.

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's 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 fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% 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. District contributions to PERS amounted to \$2,507 for 2017.

NOTE 8: PENSION OBLIGATIONS (Continued)

Components of Net Pension Liability – At December 31, 2017, the District reported a liability of \$56,211 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017, was .00024%, which was a decrease of .00004% from its proportion measured as of June 30, 2016.

	<u>Dec. 31, 2017</u> July 1, 2017	<u>Dec. 31, 2016</u> July 1, 2016
Actuarial Valuation Date		
Net Pension Liability	\$ 56,211	83,579
District's Portion of the Plan's Total Net Pension Liability	0.00024%	0.00028%

For the year ended December 31, 2017, the District had an allocated pension expense of \$(20,362).

Actuarial Assumptions – The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PERS</u>
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Interest Rate	7.00%
Salary Scale	2014-2026 – 1.65-4.15% Based on Age Thereafter – 2.65-5.15% Based on Age
Inflation Rate	2.25%

NOTE 8: PENSION OBLIGATIONS (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real 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%

NOTE 8: PENSION OBLIGATIONS (Continued)**Discount Rate**

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	<u>Decrease (4.00%)</u>	<u>Discount Rate (5.00%)</u>	<u>Increase (6.00%)</u>
District's Proportionate Share Of Net Pension Liability	\$ 69,734	56,211	44,945

B. Police and Fireman's Retirement System (PFRS)

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

The vesting and benefit provisions are set by *N.J.S.A. 43:16A*. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

NOTE 8: PENSION OBLIGATIONS (Continued)

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

Contributions – The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer's 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 fiscal year 2017 and 2016, the State's pension contribution was less than the actuarial determined amount. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions for PFRS amounted to \$23,814 in 2017.

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

Components of Net Pension Liability – At December 31, 2017, the District reported a liability of \$445,218 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of December 31, 2017, was .00259%, which was a decrease of .00010% from its proportion measured as of December 31, 2016.

NOTE 8: PENSION OBLIGATIONS (Continued)**Collective Balances at December 31, 2017 and December 31, 2016**

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
	July 1, 2017	July 1, 2016
Actuarial Valuation Date		
Net Pension Liability	\$ 445,218	557,937
District's Portion of the Plan's Total Net Pension Liability	0.00259%	0.00269%

For the year ended December 31, 2017, the District had an allocated pension expense of \$72,068.

Actuarial Assumptions – The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PFRS</u>
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Interest Rate	7.00%
Salary Scale	Through 2026 – 2.10-8.98% Based on Age Thereafter – 3.10-9.98% Based on Age
Inflation Rate	2.25%

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

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

NOTE 8: PENSION OBLIGATIONS (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 8: PENSION OBLIGATIONS (Continued)**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 was calculated using a discount rate that is 1 percentage point lower (5.14%) or 1 percentage point higher (7.14%) than the current rate:

	<u>Decrease (5.14%)</u>	<u>Discount Rate (6.14%)</u>	<u>Increase (7.14%)</u>
District's Proportionate Share Of Net Pension Liability	\$ 586,611	445,218	329,047

NOTE 9: FUND BALANCES**Reserved**

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

For Future Capital Outlays – These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2017, the balance for future capital outlays is \$209,973 of which \$200,000 is designated for subsequent year's expenditures.

Unreserved

Of the \$1,177,469 of fund balance at December 31, 2017, \$436,000 has been designated for subsequent year's expenditures, \$245,967 is capital projects; and \$485,729 is unreserved and \$9,773 is reserved for future capital outlays.

NOTE 10: LENGTH OF SERVICE AWARD PROGRAMS

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted on November 17, 1998 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Wall Fire District No. 2 approved the adoption of the Plan at the annual election held in February, and the first year of eligibility for entrance into the Plan by qualified volunteers was designated. The Plan provides tax deferred income benefits to active volunteer firefighters.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

NOTE 10: LENGTH OF SERVICE AWARD PROGRAMS (Continued)

As required by N.J.A.C. 5:30-14.48, the Fire District must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

NOTE 11: SIGNIFICANT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended December 31, 2014. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after December 31, 2017 through September 28, 2018.

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

COUNTY OF MONMOUTH

PART II

SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

BUDGETARY COMPARISON SCHEDULES

WALL TOWNSHIP FIRE DISTRICT NO. 2

Exhibit C-1
Sheet 1 of 2

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 882,773		882,773	882,773	
Miscellaneous	5,000		5,000	28,191	23,191
Total Local Sources	<u>887,773</u>	<u>-</u>	<u>887,773</u>	<u>910,964</u>	<u>23,191</u>
Total Revenues	<u>887,773</u>	<u>-</u>	<u>887,773</u>	<u>910,964</u>	<u>23,191</u>
Expenditures:					
Administration:					
Salaries of Commissioners	45,000		45,000	45,000	-
Election	1,000		1,000	511	489
Administrative Expenses	35,000	(15,690)	19,310	19,310	0
Advertising	750		750		750
Operating:					
Salaries and Wages	160,000		160,000	158,937	1,063
Fringe Benefits	70,000	(20,442)	49,558	49,558	-
Insurance	75,000	37,915	112,915	112,915	-
Maintenance and Repairs	145,000	(6,000)	139,000	115,918	23,082
Professional Services	25,000	9,214	34,214	34,214	-
Supplies and Materials	155,000	(12,162)	142,838	141,276	1,562
Training and Education	12,000	1,165	13,165	13,165	-
Utilities	72,000		72,000	67,125	4,875
Capital Lease	70,836		70,836	70,836	-
LOSAP	15,000		15,000	8,211	6,789
Bureau of Fire Prevention		6,000	6,000	6,000	-
Total Expenditures	<u>881,586</u>	<u>-</u>	<u>881,586</u>	<u>842,976</u>	<u>38,610</u>

WALL TOWNSHIP FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 2 of 2

GENERAL FUND

DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>6,187</u>	<u>-</u>	<u>6,187</u>	<u>67,988</u>	<u>61,801</u>
Other Financing Sources/Uses:					
Transfer to Capital	<u>(137,000)</u>		<u>(137,000)</u>	<u>(137,000)</u>	
Total Other Financing Sources/Uses	<u>(137,000)</u>	<u>-</u>	<u>(137,000)</u>	<u>(137,000)</u>	<u>-</u>
Total (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources/Uses	<u>(130,813)</u>	<u>-</u>	<u>(130,813)</u>	<u>(69,012)</u>	<u>61,801</u>
Fund Balance, January 1	<u>1,000,514</u>		<u>1,000,514</u>	<u>1,000,514</u>	
Fund Balance, December 31	<u>\$ 869,701</u>	<u>-</u>	<u>869,701</u>	<u>931,502</u>	<u>61,801</u>

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

Exhibit C-3

NOTE TO RSI

FOR THE YEAR ENDED DECEMBER 31, 2017

General
Fund

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules

\$ 910,964

Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.

\$ 910,964

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule

\$ 842,976

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.

\$ 842,976

CAPITAL PROJECTS FUND

TOWNSHIP OF WALL FIRE DISTRICT #2

STATEMENT OF REVENUES AND EXPENDITURES

Exhibit F-1

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED DECEMBER 31, 2017

Balance January 1, 2017	\$ 108,967
Revenues:	
Transfer from General	<u>137,000</u>
Balance December 31, 2017	<u><u>\$ 245,967</u></u>

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

SUMMARY OF PROJECT EXPENDITURES

Exhibit F-2

DECEMBER 31, 2017

<u>Project Title</u>	<u>Balance Jan. 1, 2016</u>	<u>2017 Appropriation</u>	<u>Balance Dec. 31, 2017</u>
Command Vehicle and Related Equipment	\$ 8,967		8,967
Firehouse Equipment and Improvements	25,000		25,000
Firehouse Renovations	25,000		25,000
Light Retrofitting	50,000		50,000
Extrication Equipment		80,000	80,000
SCBA Replacement		40,000	40,000
Radio Upgrades		17,000	17,000
	<u>\$ 108,967</u>	<u>137,000</u>	<u>245,967</u>

LENGTH OF SERVICE AWARD PROGRAM

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

Exhibit H-1

COUNTY OF MONMOUTHCOMPARATIVE STATEMENT OF NET POSITION AVAILABLEFOR PROGRAM BENEFITS

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Investments Held by Trustee	<u>\$ 192,582</u>	<u>160,565</u>
 <u>Net Position</u>		
Net Position Available for Program Benefits	<u>\$ 192,582</u>	<u>160,565</u>

See Notes to Financial Statements and Independent Accountant's Review Report.

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

Exhibit H-2

COUNTY OF MONMOUTHCOMPARATIVE STATEMENT OF CHANGES IN NET POSITION AVAILABLEFOR PROGRAM BENEFITSFOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Increases in Program Assets</u>		
Principal Contributions	\$ 8,211	-
Program Earnings - Net	<u>28,663</u>	<u>10,589</u>
Total Increase in Net Position	36,874	10,589
<u>Decreases in Program Assets</u>		
Distributions	<u>4,857</u>	<u>600</u>
Increase/Decrease in Program Assets	32,017	9,989
<u>Net Position Available for Program Benefits</u>		
Beginning of Year	<u>160,565</u>	<u>150,576</u>
End of Year	<u>\$ 192,582</u>	<u>160,565</u>

See Notes to Financial Statements and Independent Accountant's Review Report.

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

COUNTY OF MONMOUTH

Exhibit H-3

SCHEDULE OF INVESTMENT PROGRAM ACTIVITY

Investments

Lincoln Financial Group

<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increased by</u>		<u>Decreased by</u> <u>Distributions/</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
	<u>Contributions</u>	<u>Earnings</u>		
<u>\$ 160,565</u>	<u>8,211</u>	<u>28,663</u>	<u>4,857</u>	<u>192,582</u>

DEBT SERVICE FUND

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

SCHEDULE OF SERIAL BONDS

Exhibit I-1

DEBT SERVICE FUND

DECEMBER 31, 2017

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance at Dec. 31, 2016</u>	<u>Paid</u>	<u>Balance at Dec. 31, 2017</u>
Construction of Fire House	3/30/2007	\$ 3,800,000	6/15/2017	\$ 180,000	4.30%	\$ 180,000	180,000	-
2016 Refunding Bonds	12/14/2016	\$ 2,350,000	6/15/2018	210,000	2.36%	2,350,000	25,000	2,325,000
			6/15/2019	215,000	2.36%			
			6/15/2020	220,000	2.36%			
			6/15/2021	225,000	2.36%			
			6/15/2022	235,000	2.36%			
			6/15/2023	235,000	2.36%			
			6/15/2024	240,000	2.36%			
			6/15/2025	240,000	2.36%			
			6/15/2026	250,000	2.36%			
			6/15/2027	255,000	2.36%			
						<u>\$ 2,530,000</u>	<u>205,000</u>	<u>2,325,000</u>

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

LONG-TERM LIABILITIES

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Exhibit I-2

DECEMBER 31, 2017

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Balance Dec 31, 2016</u>	<u>Issued</u>	<u>Paid Current Year</u>	<u>Amount Outstanding Dec 31, 2017</u>
Tower Ladder Fire Truck	11/1/2012	\$ 643,000	1.80%	\$ 398,978		63,645	335,333
Fire Truck	7/15/2017	879,000	2.35%		879,000		879,000
				<u>\$ 398,978</u>	<u>879,000</u>	<u>63,645</u>	<u>1,214,333</u>

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE

Exhibit I-3

DEBT SERVICE FUND

DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 266,818		266,818	266,818	
Total Revenues	<u>\$ 266,818</u>	<u>-</u>	<u>266,818</u>	<u>266,818</u>	<u>-</u>
Expenditures:					
Payment of Bond Principal	\$ 205,000		205,000	205,000	
Payment of Interest on Bonds	61,818		61,818	61,818	
Total Expenditures	<u>\$ 266,818</u>	<u>-</u>	<u>266,818</u>	<u>266,818</u>	<u>-</u>

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

46.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS BASED ON

AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Wall Township Fire District #2
Wall, 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 statements contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Township of Wall Fire District No. 2 (the "District"), as of and for the year ended December 31, 2017, as listed in the table of contents, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of 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*.

Purpose of this Report

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

Robert A. Hulsart and Company
Independent Auditors

Wall Township, New Jersey
September 28, 2018

TOWNSHIP OF WALL FIRE DISTRICT NO. 2

COUNTY OF MONMOUTH

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

FIRE DISTRICT NO. 2
TOWNSHIP OF WALL, NEW JERSEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule of Financial Statement Findings

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

Finding 2017-01: There is no resolution designating salaries paid by the District. The District is currently utilizing Township guidelines.

Recommendation 2017-01: The District should establish annual salaries by resolution at its December meeting each year to verify salaries to be paid in the subsequent year.

Finding 2017-02: An accounting of the fixed assets was not performed during 2017 as required.

Recommendations 2017-02: That the District engage a professional asset management company to perform an updated fixed assets accounting as required by Governmental Accounting Standards.

FIRE DISTRICT NO. 2
TOWNSHIP OF WALL, NEW JERSEY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

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

FINANCIAL STATEMENT FINDINGS

Recommendations:

Finding 2017-01 and 02 are repeat findings from 2016.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

ROBERT A. HULSART & COMPANY
Certified Public Accountants