

**MONROE TOWNSHIP FIRE DISTRICT NO. 1**

**MONROE TOWNSHIP, NEW JERSEY**

**REPORT OF AUDIT**

**YEAR ENDED DECEMBER 31, 2017**



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DECEMBER 31, 2017**

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**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
ROSTER OF OFFICIALS  
DECEMBER 31, 2017**

**Board of Fire Commissioners**

Charles DiPierro, Chairman

Raymond Perry, Vice Chairman

Michael J. Costello, Treasurer

Mark Agolia, Clerk

Vincent Dilieto, Assistant Clerk/Treasurer

**Other Officials**

Ernest Zih, Fire Official

Patrick Reardon, Assistant Fire Official



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
ADWOA BOACHIE, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Monroe Township Fire District No. 1  
Monroe Township, New Jersey 08831

### Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the 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 of material misstatement.

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

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

### ***Basis for Qualified Opinion on Aggregate Remaining Fund Information***

The financial statements of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the District's financial statements. The LOSAP Trust Fund financial activities are included in the District's Fiduciary Fund, and represent 100 percent of the assets and liabilities of the District's Fiduciary Funds as of December 31, 2017.

### ***Qualified Opinion***

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited the financial activities of the Length of Service Award Program Trust Fund, as described in the "Basis for Qualified Opinion on Aggregate Remaining Fund Information" paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the Monroe Township Fire District No. 1 as of December 31, 2017, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

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

### ***Other Matters***

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

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

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

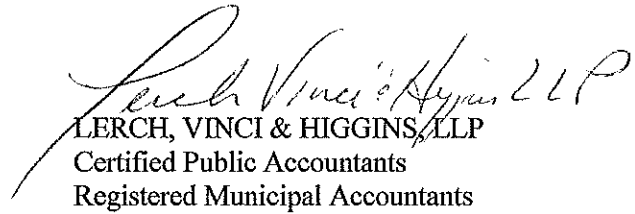
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe Township Fire District No. 1's basic financial statements. The introductory section, combining fund financial statements and financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Monroe Township Fire District No. 1.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The financial schedules have 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 them.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2018 on our consideration of the Monroe Township Fire District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Monroe Township Fire District No. 1's internal control over financial reporting and compliance.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

Fair Lawn, New Jersey  
July 23, 2018



**REQUIRED SUPPLEMENTARY INFORMATION**

**PART 1**



**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

The discussion and analysis of Monroe Township Fire District No. 1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and related notes which comprise the basic financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

In total, net position increased \$215,642 from 2016.

General revenues accounted for \$2,111,370 or 99 percent of all revenues. Program specific revenues accounted for \$30,119 or 1 percent of total revenues of \$2,141,489.

The District had \$1,925,847 in expenses; only \$30,119 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,111,370 were adequate to provide for these programs.

Among governmental funds, the General Fund had \$1,822,989 in revenues and \$1,920,122 in expenditures. The General Fund's fund balance decreased \$97,133 over 2016.

**Using this Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Monroe Township Fire District No. 1 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

**Government-Wide Financial Statements (Statement of Net Position and Statement of Activities)**

These statements provide both short-term and long-term information about the District's overall financial status.

**Fund Financial Statements**

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

## Fund Financial Statements (Continued)

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**Figure A-1  
Major Features of Government-Wide, Fund Financial Statements and Fiduciary Funds**

	Government-wide Statements	Fund Financial Statements Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary	Instances in which the district administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> <li>•Statement of net position</li> <li>•Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>•Balance sheet</li> <li>•Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>•Statement of fiduciary net assets</li> <li>•Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of assets/deferred outflows/Inflows of resources and liability information	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets, deferred outflows/inflows of resources and liabilities both financial and capital and short-term and long-term. The District's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions, during the year, regardless of when cash is received or paid

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Monroe Township Fire District No. 1, the General Fund is by far the most significant fund.

### Reporting the District as a Whole Statement of Net Position and the Statement of Activities

While this document contains several funds used by the District to provide programs and activities, the view of the District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows/inflows of resources and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## **Reporting the District as a Whole Statement of Net Position and the Statement of Activities (Continued)**

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required programs and other factors.

## **Reporting the District's Most Significant Funds Fund Financial Statements**

Fund financial statements provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General Fund, Capital Projects Fund and Debt Service Fund.

## **Governmental Funds**

The District's activities are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **Notes to the Financial Statements**

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

## **The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1 shows the District's net position as of December 31, 2017 and 2016.

**Table A-1**  
**Summary of Net Position**

	Governmental Activities	
	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Current and Other Assets	\$ 536,751	\$ 519,680
Capital Assets		
Not Being Depreciated	2,947,219	7,227,408
Being Depreciated, net	6,426,780	28,165
Total Assets	9,910,750	7,775,253
Deferred Amounts on Net Pension Liability	20,818	30,352
Total Deferred Outflows of Resources	20,818	30,352
Other Liabilities	275,768	101,888
Non Current Liabilities	6,009,911	4,284,517
Total Liabilities	6,285,679	4,386,405
Deferred Amounts on Net Pension Liability	38,533	27,486
Total Deferred Inflows of Resources	38,533	27,486
Net Assets:		
Net Investment in Capital Assets	3,453,468	3,085,573
Restricted	60,000	60,000
Unrestricted	93,888	246,141
Total Net Assets	\$ 3,607,356	\$ 3,391,714

Table A-2 shows the District's changes in net position for the years ended December 31, 2017 and 2016.

**Table A-2  
Changes in Net Position**

	Governmental Activities	
	2017	2016
<b>REVENUES:</b>		
Program Revenues:		
Charges for Services	\$ 27,404	23,040
Operating Grants and Contributions	2,715	2,715
General Revenues:		
Property Taxes	2,106,995	2,041,067
Other	4,375	6,001
<b>Total Revenues</b>	<b>2,141,489</b>	<b>2,072,823</b>
<b>EXPENSES:</b>		
Administration	325,337	228,125
Cost of Operations and Maintenance	1,408,749	1,138,525
Capital Outlay		1,060,000
Interest on Long Term Debt	191,761	134,050
<b>Total Expenses</b>	<b>1,925,847</b>	<b>2,560,700</b>
<b>Change in Net Position</b>	<b>\$ 215,642</b>	<b>\$ (487,877)</b>

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 98.4% and 98.5% of revenues for governmental activities for Monroe Township Fire District No. 1 for 2017 and 2016, respectively. The District's total revenues were \$2,141,489 and \$2,072,823 for the years ended December 31, 2017 and 2016, respectively. Charges for services accounted for 1.3% and 1.1% of revenues, operating grants and contributions and miscellaneous accounted for .3% and .4% of revenues % for the years ended December 31, 2017 and 2016, respectively.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table A-3  
Total Cost and Net Cost of Services**

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Administration	\$ 325,337	\$ 325,337	\$ 228,125	\$ 228,125
Cost of Operations and Maintenance	1,408,749	1,378,630	1,138,525	1,112,770
Capital Outlay			1,060,000	1,060,000
Interest on Long-Term Debt	191,761	191,761	134,050	134,050
<b>Total Expenses</b>	<b>\$ 1,925,847</b>	<b>\$ 1,895,728</b>	<b>\$ 2,560,700</b>	<b>\$ 2,534,945</b>

Administration includes expenses associated with administrative and financial supervision of the District. Cost of Operations and Maintenance involve keeping equipment in an effective working condition.

**The District's Funds**

All governmental funds (i.e., general fund, capital projects fund and debt service fund) are presented in the fund-based statements and are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$2,141,489 and \$2,072,820 and expenditures were \$4,179,153 and \$2,674,746 for the years ended December 31, 2017 and 2016, respectively. During 2017, the District reported lease purchase proceeds of \$1,940,531 as an other financing source. The change in fund balance for 2017 in the governmental funds was a decrease of \$97,133.

The following schedule presents a summary of the revenues of the Governmental Funds for the years ended December 31, 2017 and 2016, and the amount of increases and decreases in relation to prior year amounts.

**Table A-4  
Summary of Revenues-Governmental Funds**

Revenues:	<u>2017</u>	<u>2016</u>	Increase (Decrease) from 2016	Percent of Increase (Decrease)
Local Sources:				
Miscellaneous Revenue	\$ 34,494	\$ 31,753	\$ 2,741	8.63%
Property Tax Levy	2,106,995	2,041,067	65,928	3.23%
Total	\$ 2,141,489	\$ 2,072,820	\$ 68,669	3.31%

The following schedule presents a summary of Governmental Funds expenditures for the years ended December 31, 2017 and 2016 and the increases and decreases in relation to prior year amounts.

**Table A-5  
Summary of Expenditures-Governmental Funds**

Expenditures:	<u>2017</u>	<u>2016</u>	Increase (Decrease) from 2016	Percent of Increase (Decrease)
Administration	\$ 333,478	\$ 208,125	\$ 125,353	60.23%
Cost of Operations and Maintenance	1,222,644	1,092,571	130,073	11.91%
Debt Service	318,500	314,050	4,450	1.42%
Capital Outlay	2,304,531	1,060,000	1,244,531	117.41%
Total	\$ 4,179,153	\$ 2,674,746	\$ 1,504,407	56.24%

The increase in expenditures was primarily due to the acquisition of two (2) new fire trucks, which were funded through the use of a lease purchase.

**Capital Assets**

As of December 31, 2017 and 2016, the District had \$9,373,999 and \$7,255,573, respectively, invested, net of accumulated depreciation, in construction in progress, buildings and improvements, vehicles and equipment. Table 6 shows 2017 and 2016 balances and the amount of increases and decreases in relation to prior year amounts.



**Table A-6  
Summary of Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Increase (Decrease) from 2016	Percent of Increase (Decrease)
	<u>2017</u>	<u>2016</u> (Restated)		
Construction In Progress	\$ 2,174,531	\$ 6,454,720	\$ (4,280,189)	-66.31%
Land	772,688	772,688	-	0.00%
Buildings	6,420,102	-	6,420,102	
Vehicles	3,860	11,578	(7,718)	-66.66%
Equipment	2,818	16,587	(13,769)	-83.01%
<b>Total</b>	<b>\$ 9,373,999</b>	<b>\$ 7,255,573</b>	<b>\$ 2,118,426</b>	<b>29.20%</b>

Additional information about the District's capital assets can be found in Note 2 of this report.

**Debt Administration**

At December 31, 2017 and December 31, 2016, the District had \$6,009,911 and \$4,284,517 in long term debt, respectively.

**Table A-7  
Summary of Outstanding Liabilities**

	<u>2017</u>	<u>2016</u> (Restated)	Increase (Decrease) from 2016	Percent of Increase (Decrease)
Bonds Payable	\$ 3,980,000	\$ 4,170,000	\$ (190,000)	-4.56%
Lease Purchase Obligations	1,940,531	-	1,940,531	100.00%
Net Pension Liability	89,380	114,517	(25,137)	-21.95%
<b>Total</b>	<b>\$ 6,009,911</b>	<b>\$ 4,284,517</b>	<b>\$ 1,725,394</b>	<b>73.49%</b>

Additional information about the District's debt can be found in Note 2 of this report.

**For the Future**

The Monroe Township Fire District No. 1 is proud of its community support.

In conclusion, the Monroe Township Fire District No. 1 has committed itself to financial prudence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are in place. The District plans to continue its fiscal management to meet the challenge of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Michael J. Costello, Treasurer, Township of Monroe – Fire District No. 1, 24 Harrison Avenue, Monroe Township, NJ 08831.

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# FINANCIAL STATEMENTS



**MONROE TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017**

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 524,944	\$ 524,944
Prepaid Expenses	10,307	10,307
Escrow: Township of Monroe	1,500	1,500
Capital Assets		
Not Being Depreciated	2,947,219	2,947,219
Being Depreciated, net	6,426,780	6,426,780
Total Assets	9,910,750	9,910,750
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts on Net Pension Liability	20,818	20,818
Total Deferred Outflows of Resources	20,818	20,818
Total Assets and Deferred Outflows of Resources	9,931,568	9,931,568
<b>LIABILITIES</b>		
Accounts Payable and Other Current Liabilities	208,950	208,950
Accrued Pension Obligation	3,557	3,557
Accrued Interest Payable	63,261	63,261
Noncurrent Liabilities		
Due Within One Year	369,040	369,040
Due Beyond One Year	5,640,871	5,640,871
Total Liabilities	6,285,679	6,285,679
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts on Net Pension Liability	38,533	38,533
Total Deferred Inflows of Resources	38,533	38,533
Total Liabilities and Deferred Inflows of Resources	6,324,212	6,324,212
<b>NET POSITION</b>		
Investment in Capital Assets	3,453,468	3,453,468
Restricted For:		
Fireman's Benefit Program	60,000	60,000
Unrestricted	93,888	93,888
Total Net Position	\$ 3,607,356	\$ 3,607,356

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

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Administration	\$ 325,337				\$ (325,337)	\$ (325,337)
Cost of Operations and Maintenance	1,408,749	\$ 27,404	\$ 2,715		(1,378,630)	(1,378,630)
Interest on Long Term Debt	191,761	-	-	-	(191,761)	(191,761)
Total Governmental Activities	1,925,847	27,404	2,715	-	(1,895,728)	(1,895,728)
Total Primary Government	\$ 1,925,847	\$ 27,404	\$ 2,715	\$ -	(1,895,728)	(1,895,728)

General Revenues:

Property Taxes, Levied for General Purposes	1,788,495	1,788,495
Property Taxes Levied for Debt Service	318,500	318,500
Investment Earnings	1,965	1,965
Other	2,410	2,410
Total General Revenues	2,111,370	2,111,370
Changes in Net Position	215,642	215,642
Net Position - Beginning of Year (Restated)	3,391,714	3,391,714
Net Position - End of Year	\$ 3,607,356	\$ 3,607,356

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

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AT DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Assets:				
Cash and Cash Equivalents	\$ 524,944			\$ 524,944
Escrow: Township of Monroe	1,500		-	1,500
<b>TOTAL ASSETS</b>	<u>\$ 526,444</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 526,444</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 76,491			\$ 76,491
Accrued Expenses	132,459			132,459
<b>Total Liabilities</b>	<u>208,950</u>	<u>-</u>	<u>-</u>	<u>208,950</u>
Fund Balances:				
Committed				
Fireman's Benefit Program	60,000			60,000
Assigned				
Designated for Subsequent Year's Expenditures	250,000			250,000
Unassigned	7,494			7,494
<b>Total Fund Balances</b>	<u>317,494</u>	<u>-</u>	<u>-</u>	<u>317,494</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 526,444</u>	<u>\$ -</u>	<u>\$ -</u>	

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AT DECEMBER 31, 2017**

Total Fund Balances (Brought Forward)	\$	317,494
<p>Amounts reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and are not reported in the funds. The cost of the capital assets is \$11,906,879 and the depreciation is \$2,532,880.</p>		9,373,999
<p>Payments made to vendors for services that will benefit periods beyond the fiscal year end that are recorded as expenditures at the time of payment in the governmental funds.</p>		10,307
<p>The District contributes to pension obligations. The pension obligation accrual at year end is:</p>		(3,557)
<p>Certain amounts resulting from the measurement of the net pension liability are reported as either deferred outflows of resources or deferred inflows of resources on the statement of net position and deferred over future years.</p>		
Deferred Outflows of Resources	\$ 20,818	
Deferred Inflows of Resources	<u>(38,533)</u>	(17,715)
<p>The District has financed capital assets through the issuance of fire district bonds and lease purchase agreements. The accrued interest at year end is:</p>		(63,261)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term liabilities at year end consist of:</p>		
Bond Payable	(3,980,000)	
Obligations Under Lease Purchase	(1,940,531)	
Net Pension Liability	<u>(89,380)</u>	<u>(6,009,911)</u>
Net Position of Governmental Activities	\$	<u><u>3,607,356</u></u>

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



**MONROE TOWNSHIP FIRE DISTRICT NO. 1**  
**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 Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property Tax Levy	\$ 1,788,495		\$ 318,500	\$ 2,106,995
Interest	1,965			1,965
Miscellaneous	32,529	-	-	32,529
<b>Total Revenues</b>	<u>1,822,989</u>	<u>-</u>	<u>318,500</u>	<u>2,141,489</u>
<b>EXPENDITURES:</b>				
Administration	333,478			333,478
Cost of Operations and Maintenance	1,222,644			1,222,644
Capital Outlay	364,000	\$ 1,940,531		2,304,531
Debt Service	-	-	318,500	318,500
<b>Total Expenditures</b>	<u>1,920,122</u>	<u>1,940,531</u>	<u>318,500</u>	<u>4,179,153</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(97,133)</u>	<u>(1,940,531)</u>	<u>-</u>	<u>(2,037,664)</u>
<b>OTHER FINANCING SOURCES</b>				
Lease Purchase Proceeds	-	1,940,531	-	1,940,531
<b>Total Other Financing Sources</b>	<u>-</u>	<u>1,940,531</u>	<u>-</u>	<u>1,940,531</u>
<b>Net Change in Fund Balances</b>	(97,133)	-	-	(97,133)
Fund Balance, Beginning of Year	<u>414,627</u>	<u>-</u>	<u>-</u>	<u>414,627</u>
Fund Balance, End of Year	<u>\$ 317,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,494</u>

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

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ (97,133)

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 outlay acquisitions exceeded depreciation in the period.

Capital Outlay	\$ 2,304,531	
Depreciation Expense	<u>(186,105)</u>	2,118,426

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of principal on long term debt consumes the current financial resources of governmental funds. These transactions have no effect on net position.

Lease Purchase Proceeds	(1,940,531)	
Payment of Bond Principal	<u>190,000</u>	(1,750,531)

In the statement of activities, certain operating expenses, e.g., net pension liability are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the accrued amounts exceed the paid amounts, the difference is reduction in the reconciliation (-); when the paid amounts exceed the accrued amounts the difference is an addition to the reconciliation (+).

Increase in Accrued Interest	(63,261)	
Decrease in Pension Expense	4,434	
Decrease in Prepaid Expense	<u>3,707</u>	<u>(55,120)</u>

Change in Net Position of Governmental Activities \$ 215,642

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

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AS OF DECEMBER 31, 2017**

	<b>Length of Service Award Program (LOSAP (Unaudited))</b>
<b>ASSETS</b>	
Investments with Fiscal Agents	\$ 492,697
Accounts Receivable	<u>41,016</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>533,713</u></b>
<b>LIABILITIES</b>	
Accounts Payable	<u>-</u>
<b>Total Liabilities</b>	<b><u>-</u></b>
<b>NET POSITION</b>	
Held in Trust For:	
LOSAP	<u>533,713</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$ 533,713</u></u></b>

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

EXHIBIT B-5

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Length of Service Award Program (LOSAP) (Unaudited)</u>
ADDITIONS	
Contributions:	
District Contributions	\$ 41,016
Total Contributions	<u>41,016</u>
Investment Earnings:	
Investment Return	<u>61,905</u>
Net Investment Earnings	<u>61,905</u>
Total Additions	<u>102,921</u>
DEDUCTIONS	
Administrative Fee	1,110
Benefits Paid to Participants	<u>26,895</u>
Total Deductions	<u>28,005</u>
Change in Net Position	74,916
Net Position - Beginning of Year	<u>458,797</u>
Net Position - End of Year	<u>\$ 533,713</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**



**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Monroe Township Fire District No. 1 ("The District") have been prepared in conformity with generally accepted accounting principles (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 District's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the Statement include the following:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

**A. Reporting Entity:**

The Monroe Township Fire District No. 1 is a political subdivision of the Township of Monroe, Middlesex County, New Jersey. The District functions independently through a Board of Fire Commissioners. The board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

**B. New Accounting Standards**

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements is:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**C. Basis of Presentation - Financial Statements:**

**District-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to residents or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.



**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**District-Wide Financial Statements (Continued)**

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Fund Financial Statements**

The District reports the following major governmental funds:

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

**Capital Projects Fund** – The Capital Projects fund accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition and construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

**Debt Service Fund** – The Debt Service fund accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund types:

The Fiduciary Funds are used to account for resources legally held by the District in a trust for Length of Service Award Program activities. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of their resources be preserved as capital.

**Reclassifications**

Certain reclassifications may have been made to the December 31, 2016 balance to conform to the December 31, 2017 presentation.

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

Private-sector standards of accounting, and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in the government-wide and fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

Amounts reported as *program revenues* include 1) charges for services provided 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

**E. Budgets/Budgetary Control**

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year.

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

**F. Encumbrances**

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

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

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

***1. 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. All investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey fire districts. (See Note 2)

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

***2. Inventories and Prepaid Expenses:***

Inventories and prepaid expenses, which benefit future periods are recorded as an expenditure during the year of purchase.

***3. Capital Assets:***

Capital assets, which include buildings and building improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	40
Fire Trucks	25
Other Vehicles	5
Equipment	5

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position  
(Continued)**

***4. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. This amount is deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the government-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions.

***5. Pensions***

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

***6. Net Position/Fund Balance***

**Government-Wide Statements**

In the government-wide statements, there are three classes of net position:

- **Investment in capital assets** – consists of the cost of capital assets less accumulated depreciation.
- **Restricted net position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – any portion of net position not already classified as either investment in capital assets or net position – restricted is classified as net position – unrestricted.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)**

***6. Net Position/Fund Balance (Continued)***

**Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position have been depleted before unrestricted – net position is applied.

**Governmental Fund Statements**

Fund balance categories are designed to make the nature and extent of the constraints placed on the District’s fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**Committed Fund Balance** – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Fireman’s Benefit Fund* – Represents fund balance committed specifically for the Fireman’s Benefit Fund.

**Assigned Fund Balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

*Designated for Subsequent Year’s Expenditures* – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2018 District budget certified for taxes.

**Unassigned Fund Balance** – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**H. Revenues and Expenditures**

***1. Program Revenues***

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, investment earnings and miscellaneous revenues.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures (Continued)**

**2. *Fire District Taxes***

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

**3. *Revenues and Expenditures***

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

The District's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The District is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017, the book value of the District's deposits was \$524,944 and the bank balance of the District's deposits was \$664,095.

**Investments**

The District is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the District or bonds or other obligations of the school districts which are a part of the District or school districts located within the District, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the District is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2017**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

As of December 31, 2017, the District had the following investments:

	Fair Value (Unaudited)
<u>2017</u>	
Length of Service Award Program	\$ <u>492,697</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are held by an outside party. The District does not have a policy for custodial risk. As of December 31, 2017, \$492,697 of the District’s investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)
<u>2017</u>	
Uninsured and Collateralized:	
Collateral held by pledging financial institution's trust department but not in the District's name	\$ <u>492,697</u>

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The District does not have an investment policy that would further limit its investment choices. As of December 31, 2017, the District’s investments in Volunteer Firemen’s Insurance Service, Inc. (VFIS) was not rated.

Concentration of Credit Risk – The District places no limit in the amount the District may invest in any one issuer. More than five (5) percent of the District’s investments are in VFIS. These are 100% of the District’s investments.

The fair value of the above-listed investment was based on quoted market prices.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Capital Assets**

Capital asset activity for the calendar year ended December 31, 2017 was as follows:

	<b>Balance January 1, <u>2017</u> (Restated)</b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance December 31, <u>2017</u></b>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,116			\$ 5,116
Land - New Firehouse	767,572			767,572
Construction in Progress	<u>6,454,720</u>	<u>\$ 2,304,531</u>	<u>\$ (6,584,720)</u>	<u>2,174,531</u>
Total Capital Assets, Not Being Depreciated	<u>7,227,408</u>	<u>2,304,531</u>	<u>(6,584,720)</u>	<u>2,947,219</u>
Capital Assets, Being Depreciated:				
Buildings		6,584,720		6,584,720
Vehicles	1,863,983	-	-	1,863,983
Equipment	<u>510,957</u>	<u>-</u>	<u>-</u>	<u>510,957</u>
Total Capital Assets, Being Depreciated	<u>2,374,940</u>	<u>6,584,720</u>	<u>-</u>	<u>8,959,660</u>
Accumulated Depreciation				
Buildings		(164,618)		(164,618)
Vehicles	(1,852,405)	(7,718)		(1,860,123)
Equipment	<u>(494,370)</u>	<u>(13,769)</u>	<u>-</u>	<u>(508,139)</u>
Total Accumulated Depreciation	<u>(2,346,775)</u>	<u>(186,105)</u>	<u>-</u>	<u>(2,532,880)</u>
Total Capital Assets, Being Depreciated, Net	<u>28,165</u>	<u>6,398,615</u>	<u>-</u>	<u>6,426,780</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,255,573</u>	<u>\$ 8,703,146</u>	<u>\$ (6,584,720)</u>	<u>\$ 9,373,999</u>



**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2017**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Capital Assets (Continued)**

Depreciation expense was charged to functions of the District as follows:

Cost of Operations and Maintenance	<u>\$186,105</u>
------------------------------------	------------------

**Construction and Other Significant Commitments**

The District has the following active construction projects as of December 31, 2017:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
HVAC Improvements	\$ 187,716	\$46,284
Acquisition of Two (2) Fire Trucks	1,940,531	

**C. Lease Purchase Agreement**

The District has entered into a lease purchase agreement for the acquisition of fire trucks. The lease, dated June 15, 2017, is for a term of ten (10) years, with an interest rate of 3.03%. Principal and interest payments are due in annual installments June 15 of each year, through 2027. As of December 31, 2017, the District has not taken possession of the fire trucks. The maturity schedule of the remaining lease payments for principal and interest is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$169,040	\$58,798	\$227,838
2019	174,162	53,676	227,838
2020	179,439	48,399	227,838
2021	184,876	42,962	227,838
2022	190,477	37,361	227,838
2023-2027	<u>1,042,537</u>	<u>96,653</u>	<u>1,139,190</u>
	<u>\$1,940,531</u>	<u>\$337,849</u>	<u>\$2,278,380</u>

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Long Term Debt**

**Fire District Bonds**

On April 30, 2014, the District issued fire district bonds, in the amount of \$4,500,000, to finance the construction of a new firehouse. The principal payments are due in annual installments on April 1 of each year through 2034. Interest payments are due in semi-annual installments on April 1 and October 1 of each year through 2034. The full faith and credit of the District are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

The District's schedule of principal and interest for bonds outstanding is as follows:

Fiscal Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 200,000	\$ 122,650	\$ 322,650
2019	200,000	116,650	316,650
2020	205,000	110,575	315,575
2021	210,000	104,350	314,350
2022	220,000	97,900	317,900
2023-2027	1,195,000	385,175	1,580,175
2028-2032	1,250,000	198,439	1,448,439
2033-2034	500,000	20,000	520,000
	<u>\$ 3,980,000</u>	<u>\$ 1,155,739</u>	<u>\$ 5,135,739</u>

**Changes in Long Term Liabilities**

Long-term liability activity for the year ended December 31, 2017 is as follows:

	Balance, December 31, <u>2016</u> (Restated)	<u>Additions</u>	<u>Deductions</u>	Balance, December 31, <u>2017</u>	<u>Due within One Year</u>
Fire District Bonds Payable	\$ 4,170,000		\$ 190,000	\$ 3,980,000	\$ 200,000
Lease Purchase Obligation		\$ 1,940,531		1,940,531	169,040
Net Pension Liability	114,517	-	25,137	89,380	-
Total Long-Term Liabilities	<u>\$ 4,284,517</u>	<u>\$ 1,940,531</u>	<u>\$ 215,137</u>	<u>\$ 6,009,911</u>	<u>\$ 369,040</u>

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 3 OTHER INFORMATION**

**A. Employee Retirement Systems and Pension Plans**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system (retirement system) covering substantially all state and local government employees which includes those District employees who are eligible for pension coverage.

**Police and Firemen's Retirement System (PFRS)** – Established in July 1944, under the provision of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit plan.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement system is prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement system. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement system.

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest).

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2017**

**NOTE 3 OTHER INFORMATION (Continued)**

**A. Employee Retirement Systems and Pension Plans (Continued)**

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively, and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for the retirement systems and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0 for PFRS and 7.20% for PERS of employee's annual compensation for 2017.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2017 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made.

During the years ended December 31, 2017, 2016 and 2015, the District, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts represent the actual contributions incurred by the District for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>PFRS (1)</u>
2017	\$ 3,557	
2016	3,435	
2015	3,776	

(1) As discussed in Note 5, PFRS contributions have not been billed nor paid.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2017**

**NOTE 3 OTHER INFORMATION (Continued)**

**A. Employee Retirement Systems and Pension Plans (Continued)**

**Annual Pension Cost (APC) (Continued)**

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

**Public Employees Retirement System (PERS)**

At December 31, 2017, the District reported in the statements of net position a liability of \$89,380 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the District's proportionate share was .03839 percent, which was a decrease of .00027 percent from its proportionate share measured as of June 30, 2016 of .03866 percent.

For the year ended December 31, 2017, the District recognized in the statements of district-wide statement of activities (accrual basis) pension expense of a \$999 credit for PERS. At December 31, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b>2017</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 2,105	
Changes of Assumptions	18,007	\$ 17,941
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	609	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>97</u>	<u>20,592</u>
Total	<b><u>\$ 20,818</u></b>	<b><u>\$ 38,533</u></b>

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2017**

**NOTE 3 OTHER INFORMATION (Continued)**

**A. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ (3,938)
2019	(3,938)
2020	(3,938)
2021	(3,937)
2022	(1,964)
Thereafter	<u>-</u>
	<u>\$ (17,715)</u>

***Actuarial Assumptions***

The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2017**

**NOTE 3 OTHER INFORMATION (Continued)**

**A. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

*Actuarial Assumptions*

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation was based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2017, as reported for the year ended December 31, 2017 is summarized in the following table:

<u>Asset Class</u>	<u>2017</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%
Mortgages		
High Yield Bonds		
Inflation-Indexed Bonds		
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Private Equity		
Hedge Funds/Absolute Return		
Real Estate (Property)		
Commodities		
Global Debt ex US		
REIT		
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%
Buyouts/Venture Capital	8.25%	13.08%

*Discount Rate*

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%





**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 3 OTHER INFORMATION (Continued)**

**B. Risk Management**

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

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

**NOTE 4 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (UNAUDITED)**

The Monroe Township Fire District No. 1 Length of Service Award Program (LOSAP) was created pursuant to Section 457 (e)(11)(13) of the Internal Revenue 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 tax deferred income benefits for active volunteer members of the Monroe Township Fire District No. 1 come from contributions made solely by the District, on behalf of those volunteers who meet the criteria of the Program created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services will publish changes to the permitted maximum on an annual basis.

The Monroe Township of Fire District No. 1 contributed \$1,709 per eligible volunteer into the Program, based on the annual accumulated points of each member for the year ended December 31, 2017.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the Program participants and their beneficiaries.

Volunteer Firemen's Insurance Service Inc. (VFIS) is the administrator of the Program. The District's practical involvement in administering the Program is essentially limited to verifying the eligibility of each participant and remitting the funds to the Program administrator.

**Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the District perform a separate review report of the Program in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the program are presented as unaudited in this report as part of the District's Fiduciary Funds.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2017**

**NOTE 5 CONTINGENT LIABILITES**

The District is a party defendant in a labor matter which was decided unfavorable to the District in a previous year, first by the Public Employment Relations Commission, and subsequently affirmed by the New Jersey Superior Court Appellate Division. The Court order in question required the District to reinstate its two former paid fire fighters and make them “whole” for the entire period of layoff. The positions held by the two employees were eliminated in March 2010. As a result of the Court Order, the positions, along with the former employees, were reinstated to the Department in July 2016. Presently before the New Jersey Superior Court Chancery Division is a lawsuit filed by the Union representing the two firefighters, seeking approximately \$1.2 million dollars in back pay. There remains approximately eight months of discovery in this case before a hearing. The District has authorized its attorney to mount a vigorous defense to substantially diminish the back pay awarded.

**NOTE 6 RESTATEMENT**

The net position beginning of year has been restated to record the net position liability and related deferred inflows and outflows of resources, as a result of the implementation of GASB statement No. 68. In addition, net position – beginning of year was restated to reflect construction in progress related to the construction of a new firehouse which was previously expensed rather than capitalized. The net effect of these restatements was an increase to net position of \$1,839,634, from the original amount of \$1,552,080 to the restated amount of \$3,391,714.

An analysis of the restatement is as follows:

	Balance, January 1, 2017 <u>Prior to Restatement</u>	<u>Adjustment</u>	Balance, January 1, 2017 <u>Restated</u>
<u>Assets</u>			
Construction in Progress	\$ 4,500,000	\$ 1,954,720	\$ 6,454,720
Deferred Outflows-Pension	-	30,352	30,352
<u>Liabilities</u>			
Net Pension Liability	-	114,517	114,517
Deferred Inflows-Pension	-	27,486	27,486
Accrued Pension Obligation		3,435	3,435
<u>Net Position</u>			
Total Net Position	1,552,080	1,839,634	3,391,714

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**



MONROE TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Adjustments	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Miscellaneous Revenues:					
Other Revenue	\$ 2,000	\$ -	\$ 2,000	\$ 1,965	\$ (35)
Interest on Investments	-	-	-	2,410	2,410
Miscellaneous	2,000	-	2,000	4,375	2,375
Operating Grant Revenue:					
Supplemental Fire Services Program	2,715	-	2,715	2,715	-
Miscellaneous Revenues Offset with Appropriations					
Uniform Fire Safety Act	17,000	-	17,000	27,404	10,404
Amount to be Raised by Taxation to Support the District Budget	1,788,495	-	1,788,495	1,788,495	-
Total Revenues	1,810,210	-	1,810,210	1,822,989	12,779
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration					
Salaries and Wages	34,000	-	34,000	34,000	-
Commissioners	10,200	-	10,200	10,200	-
Secretary	15,000	-	15,000	15,000	-
Health Coordinator					
Total Salaries and Wages	59,200	-	59,200	59,200	-

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued from prior page)**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (Continued)</b>					
Operating Appropriations (Continued):					
Administration					
Fringe Benefits	\$ 8,250	\$ 1,200	\$ 9,450	\$ 8,746	\$ 704
Other Expenses:					
Professional Services	110,000	156,000	266,000	258,691	7,309
Elections	3,000	(1,000)	2,000	862	1,138
Office Supplies and Postage	6,500	-	6,500	5,979	521
Total Other Expenses	<u>119,500</u>	<u>155,000</u>	<u>274,500</u>	<u>265,532</u>	<u>8,968</u>
Total Administration	<u>186,950</u>	<u>156,200</u>	<u>343,150</u>	<u>333,478</u>	<u>9,672</u>
Cost of Operations and Maintenance:					
Salaries and Wages					
Firefighters	120,000	15,000	135,000	138,010	(3,010)
Inspectors	11,298	-	11,298	11,298	-
Total Salaries and Wages	<u>131,298</u>	<u>15,000</u>	<u>146,298</u>	<u>149,308</u>	<u>(3,010)</u>
Fringe Benefits	<u>93,984</u>	<u>(16,200)</u>	<u>77,784</u>	<u>65,911</u>	<u>11,873</u>

Continued

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued from prior page)

	Original Budget	Adjustments	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES: (Continued)</b>					
Cost of Operations and Maintenance: (Continued)					
Other Expenses:					
Hydrant Services	\$ 180,000	\$	\$ 180,000	\$ 175,140	\$ 4,860
Insurance	59,000	(6,000)	53,000	47,134	5,866
Contracted Services :					
Volunteer Fire Company	143,263		143,263	143,263	
Uniforms	27,500		27,500	8,264	(1,035)
Training and Education	25,000	9,000	34,000	35,035	(6,548)
Other Operating Expenses	30,715	1,000	31,715	38,263	2,430
Supplies/Fuel	15,000	(5,000)	10,000	7,570	1,121
Telephone Expenses (Incl. CAD System Service)	27,000		27,000	25,879	
Communication Expense - Equipment Rental	20,000	(4,000)	16,000	184,129	
Firehouse Maintenance and Operations	160,000	25,000	185,000		
Litigation Settlement	150,000	(150,000)			
Workmans Compensation Costs	28,500		28,500	31,992	
Contingent Expenses	75,000	(34,000)	41,000		
Other Assets, Non-Bondable	165,000	5,000	170,000	167,460	
Repairs and Maintenance	90,000	-	90,000	90,793	(793)
Total Other Expenses	1,195,978	(159,000)	1,036,978	954,922	5,901
Total Cost of Operations and Maintenance	1,421,260	(160,200)	1,261,060	1,170,141	14,764
Operating Appropriations Offset With Revenues: Uniform Fire Safety Act: Salaries and Wages	14,500	-	14,500	14,500	-
Fringe Benefits	2,500	-	2,500	2,266	234
Total Uniform Fire Safety Act	17,000	-	17,000	16,766	234

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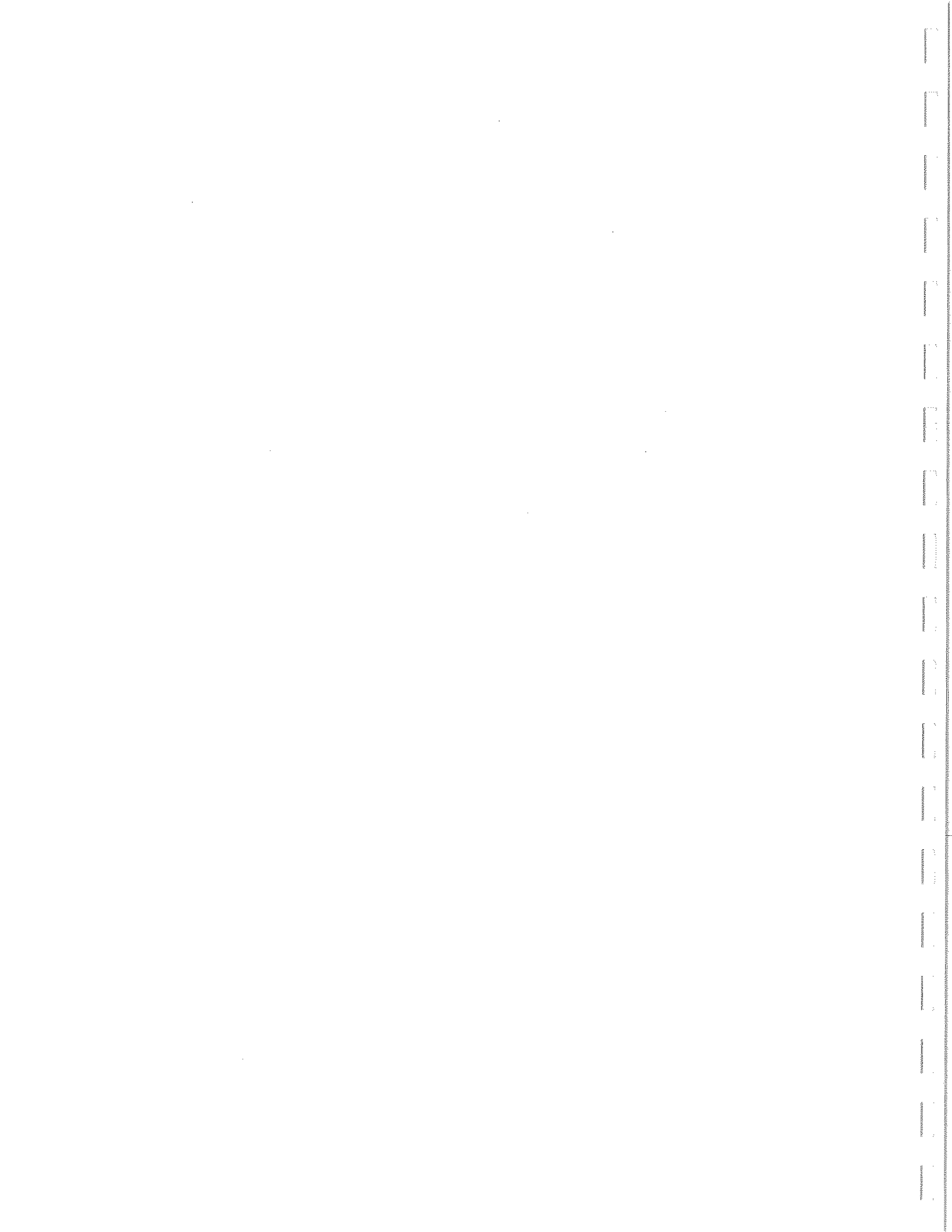
MONROE TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued from prior page)

	Original Budget	Adjustments	Final Budget	Actual	Variance Final to Actual
Length of Service Award Program	\$ 60,000	-	\$ 60,000	\$ 35,737	\$ 24,263
Capital Improvements	360,000	\$ 4,000	364,000	364,000	
Total Expenditures	2,045,210	-	2,045,210	1,920,122	48,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	(235,000)	-	(235,000)	(97,133)	137,867
Fund Balance, Beginning of Year	414,627	-	414,627	414,627	-
Fund Balance, End of Year	\$ 179,627	\$ -	\$ 179,627	\$ 317,494	\$ 137,867
Committed Fireman's Benefit Program				\$ 60,000	
Assigned				250,000	
Designated for Subsequent Year's Expenditures				7,494	
Unassigned					
Total Fund Balances				\$ 317,494	



**REQUIRED SUPPLEMENTARY INFORMATION**

**PART III**



**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Five Fiscal Years \***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Position Liability (Asset)	0.03839 %	0.03866 %	0.04392 %	0.04381 %	0.06235 %
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 89,370</u>	<u>\$ 114,517</u>	<u>\$ 98,593</u>	<u>\$ 82,033</u>	<u>\$ 119,165</u>
District's Covered-Employee Payroll	<u>\$ 27,808</u>	N/A	N/A	N/A	N/A
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	321%	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.09%	40.14%	47.92%	52.08%	48.72%

N/A: Information not available.

\* The amounts presented for each year were determined as of June 30 of the respective year.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Contribution	\$ 3,557	\$ 3,435	\$ 3,776	\$ 3,612	\$ 4,698
Contributions in Relation to the Statutorily Required Contributions	<u>3,557</u>	<u>3,435</u>	<u>3,776</u>	<u>3,612</u>	<u>4,698</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 27,808</u>	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	12.79%	N/A	N/A	N/A	N/A

N/A: Information not available.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF DISTRICT CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Change of Benefit Terms:** None.

**Change of Assumptions:** Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 3 of the financial statements.

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**OTHER SUPPLEMENTARY INFORMATION**





**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
COMPARATIVE BALANCE SHEETS  
GENERAL FUND  
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 524,944	\$ 512,636
Escrow - Twp of Monroe	<u>1,500</u>	<u>444</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 526,444</u></u>	<u><u>\$ 513,080</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts Payable and Other Current Liabilities	<u>\$ 208,950</u>	<u>\$ 98,453</u>
<b>Total Liabilities</b>	<u>208,950</u>	<u>98,453</u>
<b>Fund Balance:</b>		
Restrcited		
Fireman's Benefit Program	60,000	60,000
Assigned		
Designated for Subsequent Year's Expenditures	250,000	235,000
Unassigned	<u>7,494</u>	<u>119,627</u>
<b>Total Fund Balance</b>	<u>317,494</u>	<u>414,627</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <u><u>\$ 526,444</u></u>	 <u><u>\$ 513,080</u></u>

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
COMPARATIVE BALANCE SHEETS  
CAPITAL PROJECTS FUND  
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE		
Liabilities:		
Contracts Payable	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Restricted		
Capital Projects	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

<b>Revenues and Other Financing Sources</b>	
Lease Purchase Proceeds	<u>\$ 1,940,531</u>
Total Revenues and Other Financing Sources	<u>1,940,531</u>
<b>Expenditures and Other Financing Uses</b>	
Acquisition of Fire Trucks	<u>1,940,531</u>
Total Expenditures and Other Financing Uses	<u>1,940,531</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-
Fund Balance, Beginning of Year	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 COMPARATIVE BALANCE SHEETS  
 DEBT SERVICE FUND  
 AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ -</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
FUND BALANCE		
Liabilities:		
Contracts Payable	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Restricted		
Capital Projects	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

EXHIBIT G-2

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Amount to be Raised by Taxation to Support the District Budget	\$ 318,500	-	\$ 318,500	\$ 318,500	-
Total Revenues	318,500	-	318,500	318,500	-
<b>EXPENDITURES:</b>					
Debt Service	190,000		190,000	190,000	
Bond Principal	128,500		128,500	128,500	
Interest on Bonds					
Total Expenditures	318,500	-	318,500	318,500	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**MONROE TOWNSHIP FIRE DISTRICT NO. 1  
SCHEDULE OF FIRE DISTRICT BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities of Bonds Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance January 1, 2017</u>	<u>Decrease</u>	<u>Balance December 31, 2017</u>
Fire District Bonds	4/30/2014	\$ 4,500,000	4/1/2018	200,000	3.000 %			
			4/1/2019	200,000	3.000			
			4/1/2020	205,000	3.000			
			4/1/2021	210,000	3.000			
			4/1/2022	220,000	3.000			
			4/1/2023	225,000	3.000			
			4/1/2024	235,000	3.000			
			4/1/2025	240,000	3.000			
			4/1/2026	245,000	3.000			
			4/1/2027	250,000	3.000			
			4/1/2028	250,000	3.000			
			4/1/2029	250,000	3.000			
			4/1/2030	250,000	3.125			
			4/1/2031	250,000	3.125			
			4/1/2032	250,000	3.250			
			4/1/2033	250,000	4.000			
			4/1/2034	250,000	4.000			
						\$ 4,170,000	\$ 190,000	\$ 3,980,000
						\$ 4,170,000	\$ 190,000	\$ 3,980,000



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
ADWOA BOACHIE, CPA

## 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  
Monroe Township Fire District No. 1  
Monroe Township, New Jersey 08831

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe Township Fire District No. 1 as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Monroe Township Fire District No. 1's basic financial statements and have issued our report thereon dated July 23, 2018. Our report on the financial statements was modified because of the presentation of the unaudited LOSAP Trust Fund financial statements.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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.

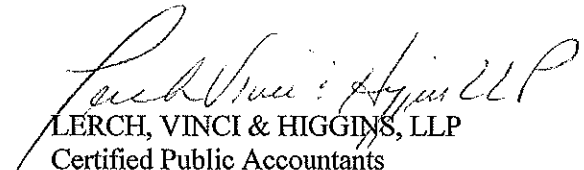
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Monroe Township Fire District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Monroe Township Fire District No. 1 in the section of this report of audit entitled "General Comments and Recommendations".

### **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 Monroe Township Fire District No. 1'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 Monroe Township Fire District No. 1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

Fair Lawn, New Jersey  
July 23, 2018



## STATISTICAL INFORMATION



STATISTICAL INFORMATION

Property Tax Levies:

Following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

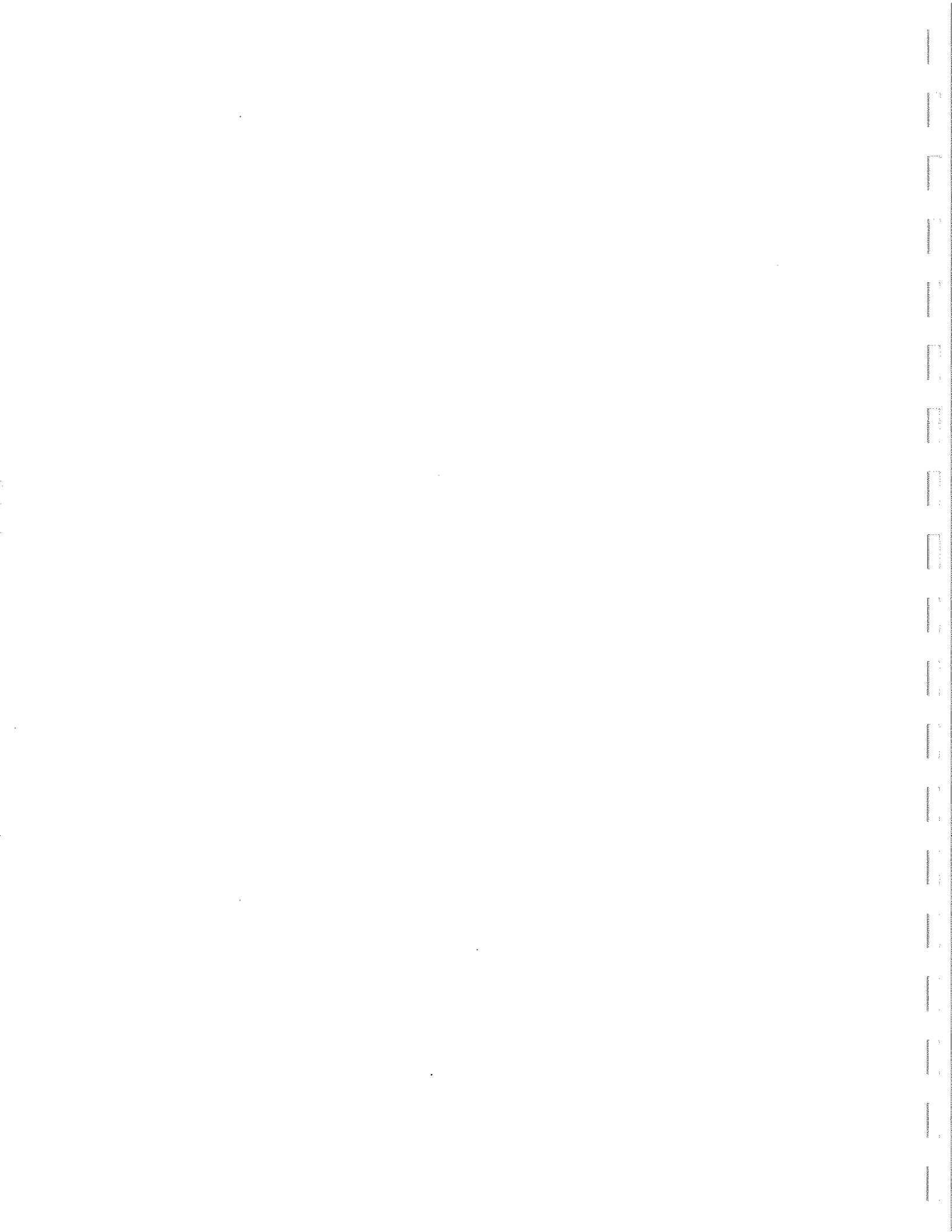
<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2017	\$ 1,907,913,648	\$2,106,995	\$ 0.1100
2016	1,888,716,587	2,041,067	0.0981
2015	1,886,556,224	1,850,748	0.0849
2014	1,886,341,286	1,601,645	0.1300
2013	930,317,578	1,209,415	0.1100

General Fund - Unassigned and Assigned – Designated for Subsequent Year’s Expenditures Fund Balance:

<u>Year</u>	<u>Unassigned Balance December 31,</u>	<u>Assigned- Designated for Subsequent Year's Expenditures</u>
2017	\$ 7,494	\$ 250,000
2016	119,627	235,000
2015	6,550	950,000
2014	242,507	805,000
2013	952,667	250,000

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**GENERAL COMMENTS AND RECOMMENDATIONS**



## GENERAL COMMENTS

### Current Year

Our audit indicated that a formal purchase order and encumbrance system is not maintained by the District. In addition, numerous instances were noted where claimant and receipt of goods signatures were not obtained with respect to disbursements. It is recommended that claimant and receipt of goods signatures be obtained prior to payments being made to vendors.

Our audit indicated that the District does not have a formal policy with respect to the utilization of credit cards and related reimbursement payments. It is recommended that a formal policy be developed and implemented with respect to the utilization of credit cards and related reimbursement payments.

### **Contracts and Agreements Required To Be Advertised for N.J.S. 40A:11-4**

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

If the District has a purchasing agent who is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c.198 (C.40A:11-9), the District may establish the bid threshold up to a maximum of \$40,000. The District does not utilize a Qualified Purchasing Agent (QPA). The bid threshold utilized by the District is \$17,500.

The Governing Body of the District has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the District Attorney's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear violations existed.

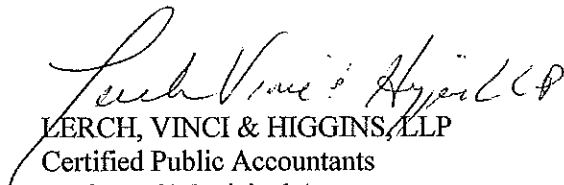
## RECOMMENDATIONS

It is recommended that:

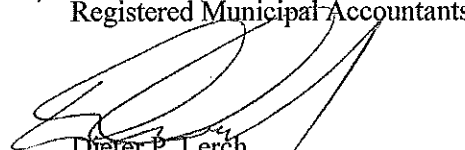
1. Claimant and receipt of goods signatures be obtained prior to payments being made to vendors.
- \* 2. A formal policy be developed and implemented with respect to the utilization of credit cards and related reimbursement payments.

### Status of Prior Year Recommendations

A review was performed in the prior year's recommendations and corrective action was taken on all other than those denoted with asterisk (\*) above.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number