

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
WITH
INDEPENDENT AUDITOR'S REPORT**

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent auditor's report | 1 - 3 |
| Independent Auditor's Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in Accordance with Government Auditing Standards | 4 - 5 |
| Management's discussion and analysis | 6 - 11 |
| Financial statements: | |
| A. Government-wide Financial Statements | |
| A - 1 - Statement of net position | 12 |
| A - 2 - Statement of activities | 13 |
| B. Governmental Funds Fund Financial Statements | |
| B - 1 - Balance Sheet | 14 |
| B - 2 - Statement of revenues, expenditures and changes in fund balances | 15 |
| B - 3 - Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities | 16 |
| Notes to financial statements | 17 - 32 |
| Required supplementary information: | |
| C. Budgetary Comparison Schedule | |
| C - 1 - Budgetary comparison schedule - general fund | 33 - 34 |
| C - 2 - Reconciliation of budget to statement of revenues, expenditures, and changes in fund balance | 35 |
| Notes to the Required Supplementary Information | 36 |

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS



8 EXECUTIVE DRIVE, SUITE 1, TOMS RIVER, NEW JERSEY 08755
1200 RIVER AVENUE, SUITE 5A, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701
732/363-6500 FAX: 732/363-0675
WWW.MEBGCPA.COM

INDEPENDENT AUDITOR'S REPORT

**Board of Fire Commissioners
Fire District No. 1, Township of Wall
County of Monmouth
Wall, New Jersey 07719**

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 Fire District No. 1, Township of Wall in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fire District No. 1, Township of Wall in the County of Monmouth, as of December 31, 2018, and the respective change in financial position for the 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 and budgetary comparison information, and notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2019, on our consideration of the Fire District No. 1, Township of Wall'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 Fire District No. 1, Township of Wall's internal control over financial reporting and compliance.

Mohe Elliott Bauer & Gass

Toms River, New Jersey
August 15, 2019

8 EXECUTIVE DRIVE, SUITE 1, TOMS RIVER, NEW JERSEY 08755
1200 RIVER AVENUE, SUITE 5A, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701
732/363-6500 FAX: 732/363-0675
WWW.MEBGCPA.COM

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

**Board of Fire Commissioners
Fire District No. 1, Township of Wall
Wall, New Jersey 07719**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the government activities and each major fund of Fire District No. 1, Township of Wall in the County of Monmouth, State of New Jersey as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the Fire District No. 1, Township of Wall's basic financial statements, and have issued our report thereon dated August 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fire District No. 1, Township of Wall'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District No. 1, Township of Wall's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire District No. 1, Township of Wall'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.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire District No. 1, Township of Wall'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 and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mohele Elliott Bauer & Gass

Toms River, New Jersey
August 15, 2019

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

As management of Fire District No. 1, Township of Wall (hereafter referred to as the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance, their understanding of the Fire District's financial performance.

Financial Highlights

- The net position of the fire district which represents the difference between assets and liabilities was \$544,408. This represents a decrease of \$5,813 from 2017.
- The amount raised by taxation was \$560,000 or 55.45% of all revenues.
- Total expenditures were \$1,015,799 as compared to \$938,542 in 2017; an increase of \$77,257 or 8.23%.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 1, Township of Wall's basic financial statements is comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page -12-. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on all the assets and liabilities of Fire District No. 1, Township of Wall, The difference between the two is reported as the District's Net Position. Significant increases or decreases in the District's Net Position can be an indication of the financial health of the District.

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

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Reporting on the District as a Whole (Continued)

The district-wide financial statements report on the financial data by function. Fire District No. 1, Township of Wall provides firefighting services to the citizens of Wall Township.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Fire District No. 1, Township of Wall uses fund accounting to document compliance with finance-related legal matters. Fire District No. 1, Township of Wall has three types of fund groups, and that is the general fund, capital projects fund and debt service fund.

Governmental Funds

Fire District No. 1 of the Township of Wall's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

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

As required by N.J.S.A. 40A:14:78-3, Fire District No. 1 Township of Wall adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

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

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 1 Township of Wall's Net Position is a useful indicator of the District's financial condition. At the end of 2018 the District's assets exceeded the liabilities by \$544,408. A significant portion of Fire District No. 31 Township of Wall's Net Position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending.

Statement of Net Position:

**FIRE DISTRICT NO. 1, TOWNSHIP OF WALL
NET POSITION
DECEMBER 31, 2018**

| | <u>2018</u> | <u>2017</u> | <u>\$ Increase (Decrease)</u> | <u>% Increase (Decrease)</u> |
|-------------------|-------------------|-------------------|-----------------------------------|----------------------------------|
| Total assets | \$ 1,511,895 | \$ 1,483,689 | \$ 28,206 | 1.90% |
| Total liabilities | (967,487) | (933,468) | 34,019 | 3.64% |
| Net position | <u>\$ 544,408</u> | <u>\$ 550,221</u> | <u>\$ (5,813)</u> | -1.06% |

Analysis of net position

| | | | | |
|----------------------------------|-------------------|-------------------|-------------------|---------|
| Net investment in capital assets | \$ 266,733 | \$ 315,800 | \$ (49,067) | -15.54% |
| Restricted for: | | | | |
| Capital projects | 69,006 | 62,918 | 6,088 | 9.68% |
| Unrestricted | 208,669 | 171,503 | 37,166 | 21.67% |
| Total net position | <u>\$ 544,408</u> | <u>\$ 550,221</u> | <u>\$ (5,813)</u> | -1.06% |

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Governmental Activities

The Statement of Activities shows the cost of the governmental activities and general revenues. A summary of these activities follows:

| | <u>2018</u> | <u>2017</u> | <u>\$ Increase (Decrease)</u> | <u>% Increase (Decrease)</u> |
|---|-------------------|-------------------|-----------------------------------|----------------------------------|
| Expenses | | | | |
| Administrative expenses | \$ 229,270 | \$ 182,454 | \$ 46,816 | 25.66% |
| Cost of operations and maintenance | 392,912 | 368,715 | 24,197 | 6.56% |
| Operating appropriations offset with revenues | 364,468 | 356,694 | 7,774 | 2.18% |
| Length of Service Award Program Contribution | 17,400 | 17,400 | - | 0.00% |
| Interest expense | 11,749 | 13,279 | (1,530) | -11.52% |
| Total program expenses | <u>1,015,799</u> | <u>938,542</u> | <u>77,257</u> | 8.23% |
| General revenues | | | | |
| Property taxes levied for: | | | | |
| General purposes | 413,764 | 326,764 | 87,000 | 26.62% |
| Capital projects | 67,000 | 120,000 | (53,000) | -44.17% |
| Debt service | 79,236 | 79,236 | - | 0.00% |
| Total property taxes levied | <u>560,000</u> | <u>526,000</u> | <u>34,000</u> | 6.46% |
| Charges for services | 384,813 | 379,231 | | |
| Other revenue | 65,173 | 43,084 | 22,089 | 51.27% |
| Total general revenues | <u>1,009,986</u> | <u>948,315</u> | <u>61,671</u> | 6.50% |
| Increase in net position | (5,813) | 9,773 | (15,586) | -159.48% |
| Net position, January 1 | 550,221 | 540,448 | 9,773 | 1.81% |
| Net position, December 31 | <u>\$ 544,408</u> | <u>\$ 550,221</u> | <u>\$ (5,813)</u> | -1.06% |

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 1, Township of Wall uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

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

As of December 31, 2018, the combined balance of the governmental cash and investment funds of Fire District No. 1, Township of Wall was approximately \$370,000. This balance is approximately \$23,000 less than last year's combined governmental funds balance.

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS (Continued)

The combined fund balance of the governmental funds of Fire District No. 1, Township of Wall was a surplus of approximately \$493,000. Amounts of approximately \$69,000 is restricted for capital projects, \$215,000 is restricted for investment in length of service awards program; \$9,800 is assigned - designated for subsequent year's expenditures and \$199,000 is unassigned.

The general fund is the main operating fund of Fire District No. 1, Township of Wall. At the end of 2018, the total fund balance of the general fund was approximately \$424,000.

During 2018 the general fund balance surplus of Fire District No. 1 Township of Wall increased by approximately \$30,000. The primary reason for this increase is primarily due to the excess of revenues over expenditures.

At the end of 2018, the District has a capital projects fund balance of approximately \$69,000. This was an increase of approximately \$6,000 from the previous year.

General Fund Budgetary Highlights

The original budget was projected to be balanced. The District had total revenues in excess of expenditures of approximately \$43,000 in 2018.

Administrative expenses were approximately \$385 less than projected in 2018. Operating expenses were approximately \$944 less than projected in 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018 Fire District No. 1 Township of Wall had invested in capital assets for government activities of approximately \$706,000 (net of accumulated depreciation). Capital assets consist of fire apparatus, vehicles and fire equipment. Additions for 2018 were: Route 71 engine room floor, \$6,853, Route 71 garage doors, \$7,980 and an Eagle Air Model CSSX2 mobile fill station, \$21,500.

| | CAPITAL ASSETS DECEMBER 31, 2018 | | |
|---------------------------|---|--------------------|-----------------------------------|
| | <u>2018</u> | <u>2017</u> | <u>\$ Increase (Decrease)</u> |
| Capital assets | | | |
| Apparatus | \$ 1,812,655 | \$ 1,812,655 | \$ - |
| Vehicles | 251,148 | 251,148 | - |
| Building improvements | 112,115 | 97,282 | 14,833 |
| Equipment | 267,327 | 245,827 | 21,500 |
| Total capital assets | <u>2,443,245</u> | <u>2,406,912</u> | <u>36,333</u> |
| Accumulated depreciation | <u>(1,737,420)</u> | <u>(1,584,533)</u> | <u>152,887</u> |
| Total capital assets, net | <u>\$ 705,825</u> | <u>\$ 822,379</u> | <u>\$ (116,554)</u> |

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Administration

The Board has entered into a lease with option to purchase agreement dated as of January 2, 2015 for a Seagrave Marauder II Pumper with U.S. Bancorp Government Leasing and Finance, Inc. The lease is payable over ten years in the amount of \$79,236 per annum. The final payment on the lease is due on January 2, 2025. The interest rate on the lease is 2.295%. For additional information please refer to page 27, capital lease obligations payable.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2018, Fire District No. 1 Township of Wall was able to fund its appropriations through the fire tax levy and other revenues. The 2018 budget was projected to be balanced. It finished the year with an excess of revenues over expenditures of \$43,255.

Fire District No. 1, Township of Wall adopted the 2019 budget on January 3, 2019. The 2019 budget reflects a 9.3% increase in the tax levy compared to 2018. The proposed budget reflects an increase in the tax rate for 2019 of \$.005. The proposed tax rate per \$100 of assessed value will be \$.074.

REQUESTS FOR INFORMATION

The District financial report is designed to provide users of the financial statements with a general overview of the District's finances and to show the District's accountability for the money it receives. The financial statements of the District are a matter of public record.

If you have any questions about this report or need additional information please contact The Board Clerk at P.O. Box 53, Belmar, New Jersey 07719.

FIRE DISTRICT NO. 1
TOWNSHIP OF WALL

STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | 2018 |
|--|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 370,104 |
| Accounts receivable | 212,055 |
| Prepaid expenses | 9,012 |
| Capital assets, net | 705,825 |
| Contribution receivable - length of service award program | 17,400 |
| Cash and investments - length of service award program | 197,499 |
| Total assets | 1,511,895 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable and accrued expenses | 169,349 |
| Due to Wall Fire No. 3 from bureau | 144,147 |
| Capital lease obligation payable | 69,052 |
| Total current liabilities | 382,548 |
| Noncurrent liabilities | |
| Capital lease obligation payable | 370,040 |
| Net assets available for program benefits - length of service award program | 214,899 |
| Total noncurrent liabilities | 584,939 |
| Total liabilities | 967,487 |
| NET POSITION | |
| Net investment in capital assets | 266,733 |
| Restricted for capital projects | 69,006 |
| Unrestricted | 208,669 |
| Total net position | \$ 544,408 |

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

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL**

**STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

| | 2018 |
|--|--------------------|
| Expenses: | |
| Operating appropriations: | |
| Administration | \$ 229,270 |
| Cost of operations and maintenance | 392,912 |
| Operating appropriations offset with revenues | 364,468 |
| Length of service award program (LOSAP) - Contribution P.L. 1997, c.388) | 17,400 |
| Interest expense | 11,749 |
| Total program expenses | 1,015,799 |
| General revenues: | |
| Amount raised by taxation | 560,000 |
| Charges for services | 384,813 |
| Interest on investments and deposits | 318 |
| Miscellaneous revenue | 64,855 |
| Total general revenues | 1,009,986 |
| Change in net position | (5,813) |
| Net position - beginning of year | 550,221 |
| Net position - end of year | \$ 544,408 |

The accompanying notes are an integral part of these financial statements

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018**

| | GENERAL FUND | CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------|-----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 301,098 | \$ 69,006 | \$ - | \$ 370,104 |
| Accounts receivable | 212,055 | | | 212,055 |
| Prepaid expenses | 9,012 | | | 9,012 |
| Contribution receivable - length of service award program | 17,400 | | | 17,400 |
| Cash and investments - length of service award program | 197,499 | | | 197,499 |
| Total assets | \$ 737,064 | \$ 69,006 | - | \$ 806,070 |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 169,349 | | | \$ 169,349 |
| Due to Wall Fire No. 3 from bureau | 144,147 | | | 144,147 |
| Total liabilities | 313,496 | - | - | 313,496 |
| FUND BALANCES | | | | |
| Restricted for Capital Projects | | 69,006 | | 69,006 |
| Investment in length of service award program | 214,899 | | | 214,899 |
| Assigned - other | | | | - |
| Assigned - Designated for subsequent year's expenditures | 9,800 | | | 9,800 |
| Unassigned | 198,869 | | | 198,869 |
| Total fund balances | 423,568 | 69,006 | - | 492,574 |
| Total liabilities and fund balances | \$ 737,064 | \$ 69,006 | \$ - | |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,443,245 and the accumulated depreciation is \$1,737,420.

705,825

Long-term liabilities, including capital lease obligation payable and length of service awards program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(653,991)

\$ 544,408

The accompanying notes are an integral part of these financial statements

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service</u> | <u>Total</u> |
|---|-------------------------|----------------------------------|-------------------------|-------------------|
| Revenues: | | | | |
| Amount raised by taxation | \$ 413,764 | \$ 67,000 | \$ 79,236 | \$ 560,000 |
| Charges for services | 384,813 | | | 384,813 |
| Interest on investments and deposits | 318 | | | 318 |
| Investment income - length of service award program | (5,838) | | | (5,838) |
| Miscellaneous revenue | 64,855 | | | 64,855 |
| Total revenues | <u>857,912</u> | <u>67,000</u> | <u>79,236</u> | <u>1,004,148</u> |
| Expenditures: | | | | |
| Administration | 229,270 | | | 229,270 |
| Cost of operations and maintenance | 215,445 | | | 215,445 |
| Operating appropriations offset with revenues | 364,468 | | | 364,468 |
| Capital Expenditures | | 60,912 | | 60,912 |
| Debt service principal payments | | | 67,487 | 67,487 |
| Interest payments on debt | | | 11,749 | 11,749 |
| Participant distributions, forfeitures and charges length of service award program | 19,089 | | | 19,089 |
| Total expenditures | <u>828,272</u> | <u>60,912</u> | <u>79,236</u> | <u>968,420</u> |
| Excess of revenues over expenditures | 29,640 | 6,088 | - | 35,728 |
| Fund balance, January 1 | 393,928 | 62,918 | - | 456,846 |
| Fund balance, December 31 | <u>\$ 423,568</u> | <u>\$ 69,006</u> | <u>\$ -</u> | <u>\$ 492,574</u> |

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

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
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, 2018**

| | | |
|--|------------------|-----------------------|
| Total net changes in fund balance - governmental funds (B - 2) | \$ | 35,728 |
| 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 useful lives as depreciation expense | | |
| Capital outlays | 36,332 | |
| Depreciation expense | <u>(152,887)</u> | (116,555) |
| Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of activities, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Investment income LOSAP is not a revenue in the government-wide financial statements as it is payable to the volunteers in accordance with the plan benefits | | |
| District contribution to length of service award program | (17,400) | |
| Length of service award investment income | 5,838 | |
| Participant withdrawals | <u>19,089</u> | 7,527 |
| Principal payment on capital lease obligation payable | | <u>67,487</u> |
| Changes in net position of governmental activities (A - 2) | \$ | <u><u>(5,813)</u></u> |

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

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 Township of Wall is a political subdivision of the Township of Wall, County of Monmouth, State of New Jersey. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

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

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

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

B. District Officials

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

| <u>Officials</u> | <u>Term Expires March</u> |
|----------------------------|-------------------------------|
| William R. Davenport, Sr. | 2021 |
| Robert D. Hendrickson, Sr. | 2022 |
| Norman R. Stelling | 2021 |
| Edward H. Miles, Sr. | 2020 |
| Roy H. Curtis | 2020 |

C. Accounting Records

The official accounting records of the Fire District No. 1 Township of Wall are maintained in the office of the district.

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fire District No. 1, Township of Wall (the "Fire District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Government-wide and Fund Financial Statements

The Fire District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

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 government. The Fire District's operations consist of governmental activities, which normally are supported by property taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function of segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

In regards to the fund financial statements, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the Fire District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied, as under New Jersey State Statute, Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers revenues to be available if they are collected within sixty (60) days of the end of the current year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, reimbursable-type grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the Fire District.

The Fire District reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the Fire 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 is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control

The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A 40A:14-78.5. Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

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

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 year-end.

The budget, as detailed on exhibit C-1, includes all amendments and modifications to the adopted budget has approved by the Board of Commissioners.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year end. The encumbrances at December 31, 2018 totaled \$0 for the general fund and \$0 for the capital projects fund.

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, 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. Certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey fire districts.

N.J.S.A 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State of federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, The deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories recorded on the government-wide financial statements are recorded as expenses when consumed rather than when purchased. The Fire District did not have any significant inventory for the year ended December 31, 2018.

Prepaid Expenses

Prepaid expenses recorded on the government-side financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2018.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the Fire District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The Fire District's capitalization threshold is \$5,000. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------|------------------------|
| Apparatus | 10 years |
| Vehicles | 5 years |
| Building improvements | 15 years |
| Equipment | 5 years |

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between the summation of assets and the summation of liabilities. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

Fund Balance

The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints of the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Fire Commissioners. Such formal actions consists of an affirmative vote by the Board of Fire Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes, or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Assigned - The assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Fire Commissioners or by the Fire Chief, to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the Fire Chief is established by way of a formal job description for the position, approved by the Board of Fire Commissioners.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriated in the following order: committed, assigned, and then unassigned.

Accounting Estimates

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

Contingencies

The District has accrued \$53,000 for delayed enrollment in the Public Employees Retirement System (PERS); New Jersey Division of Pensions and Benefits. All required information has been submitted to the New Jersey Division of Pensions & Benefits and the Social Security Administration. The accrual represents an estimate of the delayed appropriation and one half of the delayed enrollment.

Subsequent Events

The District has evaluated subsequent events through August 15, 2019, the date the financial statements were available to be issued.

(Continued)

FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
 (Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA.

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>Calendar Year</u> | <u>Assessed Valuations</u> | <u>Total Tax Levy</u> | <u>Property Tax Rates</u> |
|--------------------------|--------------------------------|---------------------------|-------------------------------|
| 12/31/2018 | \$ 825,751,953 | \$ 560,000 | 0.069 |
| 12/31/2017 | \$ 790,733,392 | \$ 526,000 | 0.067 |
| 12/31/2016 | \$ 793,437,678 | \$ 424,000 | 0.054 |
| 12/31/2015 | \$ 468,108,714 | \$ 416,000 | 0.089 |
| 12/31/2014 | \$ 465,272,704 | \$ 384,000 | 0.083 |

(Continued)

FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
 (Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

CAPITAL ASSETS

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

| | 2018 | Estimated Useful Life (Years) |
|--------------------------------|-------------|--|
| Assets | | |
| Apparatus | 1,812,655 | 10 |
| Vehicles | 251,148 | 5 |
| Building improvements | 112,115 | 15 |
| Equipment | 267,327 | 5 |
| | 2,443,245 | |
| Less: accumulated depreciation | (1,737,420) | |
| | \$ 705,825 | |

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | 2018 |
|-------------------------------|-------------|
| Accounts payable | \$ 6,293 |
| Accrued LOSAP | 17,400 |
| Accrued pension | 89,783 |
| Accrued vacation and sick pay | 24,240 |
| Accrued payroll | 5,141 |
| Due to employees | 229 |
| Other accrued expenses | 26,263 |
| | \$ 169,349 |

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

CAPITAL LEASE OBLIGATIONS PAYABLE

The Board has entered into a lease with options to purchase agreement for a Seagrave Marauder II Pumper. The lease is dated as of January 2, 2015 in the amount of \$700,000 payable in annual installments of \$79,236. The note bears interest at the rate of 2.295%.

| <u>Balance 12/31/2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 12/31/2018</u> | <u>Due Within One Year</u> |
|-------------------------------|------------------|--------------------|-------------------------------|--------------------------------|
| \$ <u>506,579</u> | \$ <u>-</u> | \$ <u>(67,487)</u> | \$ <u>439,092</u> | \$ <u>69,052</u> |

The following is a schedule of future lease payments under the lease together with the present value of the lease payments as of December 31, 2018:

| <u>Due Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|--------------------------|-------------------------|--------------------------|
| 2019 | \$ 69,052 | \$ 10,184 | \$ 79,236 |
| 2020 | 70,654 | 8,582 | 79,236 |
| 2021 | 72,292 | 6,944 | 79,236 |
| 2022 | 73,969 | 5,267 | 79,236 |
| 2023 | 75,685 | 3,551 | 79,236 |
| Thereafter | <u>77,440</u> | <u>1,796</u> | <u>79,236</u> |
| Total payments | \$ <u>439,092</u> | \$ <u>36,324</u> | \$ <u>475,416</u> |

COMMITMENTS

The District leases facilities from Wall Fire Company No. 1 for storage of equipment, housing of fire apparatus, training and education of fire fighters, public meetings, maintenance and repair of equipment, apparatus, elections and other necessary and related fire prevention, protection and suppression activities. The lease is for a term of five years or extended herein. Rental is paid annually in the amount of \$40,000 subject to annual appropriations by legal voters within the District.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

LENGTH OF SERVICE AWARDS PROGRAM

LENGTH OF SERVICE AWARD PROGRAM

The Length of Service Award Program (LOSAP) for the Board of Fire Commissioners of Fire District No. 1, of the Township of Wall, was created by a Fire District Resolution pursuant to Section 457 (e)(11)(13) of the Internal Revenue Code of 1986 as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Wall, Fire District No. 1, approved the establishment of the Program on February 16, 2002. The program was created by Fire District resolution dated November 20, 2002.

The first year of eligibility for entrance into the program was calendar year 2003. The tax deferred income benefits for active volunteer Fire Fighters that serve Fire District No. 1, Township of Wall come from contributions made solely by the Board of Fire Commissioners, on behalf of those volunteers who meet the criteria of the Program created by the Board of Fire Commissioners.

Contributions

If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. 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 of the State of New Jersey will issue the permitted maximum annually.

The Fire District after notice to the participants and public publication elected to automatically make the maximum annual contribution permitted by the Division of Local Government Services and budgets accordingly.

The Fire District elected to contribute \$1,450 for the year ended December 31, 2018 per eligible volunteer, into the Plan. Participants direct the investment of the contributions into various investment options offered by the Plan.

Participant Accounts

Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. For the year ended December 31, 2018, the Fire District elected to pay substantially all of the Plan's administrative costs. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. In accordance with the amendments to Section 457 of the Internal Revenue Code, and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group ("Plan Contractor"), an approved Length of Service Awards Contractor provides investment and other services regarding the length of services award program. The Fire District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Contractor. Since the Fire District is not considered to be holding the assets, the Length of Service Awards Program is not presented in the Fire District's financial statements.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Vesting

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of active emergency service. "Year of active emergency service" means a twelve (12) month period during which an active volunteer member participates in the Fire Service and satisfies the minimum requirements of participation established by the sponsoring agency on a consistent uniform basis.

Payment of Benefits

Upon separation from service or disability as defined under the program, vested participants may select various options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

The Board did adopt an amended plan in 2010 wherein "In-Service Distribution" after vesting is permitted. Such distribution requires the total vested amount is withdrawn by the participant. No partial distribution is permitted. If a participant elects in-service distribution the participant must thereafter complete at least five (5) years of emergency service again to vest in the program. Participants do not have to separate himself/herself from service.

Forfeited Accounts

During the year ended December 31, 2018 forfeitures were \$-0-.

LENGTH OF SERVICE AWARD PROGRAM - INVESTMENTS

An investment agreement was entered into at the inception of the Plan between the Fire District and the Plan Contractor, whereby the Plan Contractor would have custody of the securities of the Plan and also advises the Fire District as to investment alternatives.

The investments consist of pooled separate accounts by Fund. Each participant may choose his/her allocation from among these investments. The investments are made by the Plan Contractor for benefit of plan participants. The investments are valued at fair value at the end of each year and the increase/decrease benefit of plan is posted to the participant's account.

| | |
|--------------------------|-------------------|
| | <u>2018</u> |
| Pooled Separate Accounts | \$ <u>197,498</u> |

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

TAX STATUS - LENGTH OF SERVICE AWARD PROGRAM

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan administrator and the management of the Fire District believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Service Code.

The Plan is generally subject to routine audits by the Internal Revenue Service, for three years. There are currently no audits in progress.

RISK AND UNCERTAINTIES - LENGTH OF SERVICE AWARD PROGRAM

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for benefits.

(Continued)

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

FAIR VALUE MEASUREMENTS

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1 Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

- Level 2 Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Pooled Separate Accounts: Valued at the net asset value (NAV) of the participation units held by the plan at year end. The NAV, as reported by the insurance company, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying mutual fund held in the subaccounts.

(Continued)

FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

LENGTH OF SERVICE AWARD PROGRAM - CASH AND INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2018.

Assets at Fair Value as of December 31, 2018

| Pooled Separate Accounts: | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|--------------------------|--------------------|--------------------|--------------------------|
| American Funds Growth | \$ 1,290 | \$ | \$ | \$ 1,290 |
| American Funds International | 1,567 | | | 1,567 |
| Delaware VIP REIT | 3,024 | | | 3,024 |
| Fidelity VIP Contrafund | 3,990 | | | 3,990 |
| Fidelity VIP Growth | 3,261 | | | 3,261 |
| Fixed | 37,373 | | | 37,373 |
| LVIP Baron Growth Opportunities | 11,065 | | | 11,065 |
| LVIP Blended Large Cap Growth Managed Volatility | 1,772 | | | 1,772 |
| LVIP Delaware Special Opportunities Fund | 14,378 | | | 14,378 |
| LVIP Government Money Market | 59,773 | | | 59,773 |
| LVIP JP Morgan Retirement Income Fund | 5,894 | | | 5,894 |
| LVIP SSGA Global Tactical Allocation | 5,548 | | | 5,548 |
| LVIP SSGA S&P 500 Index Fund | 1,949 | | | 1,949 |
| LVIP T. Rowe Price 2050 Fund | 8,749 | | | 8,749 |
| LVIP T. Rowe Price Structured Mid-Cap Growth Fund | 19,201 | | | 19,201 |
| MFS VIT Utilities Series | 18,664 | | | 18,664 |
| Total Pooled Separate Accounts | \$ <u>197,498</u> | \$ - | \$ - | \$ <u>197,498</u> |
| Total Assets at Fair Value | \$ <u><u>197,498</u></u> | \$ <u><u>-</u></u> | \$ <u><u>-</u></u> | \$ <u><u>197,498</u></u> |

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Budgetary Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------|---------------------------------------|---|
| | <u>Original</u> | <u>Modified</u> | | |
| Revenues | | | | |
| Miscellaneous anticipated revenues: | | | | |
| Interest investments and deposits | \$ 1,005 | \$ 1,005 | \$ 318 | \$ (687) |
| Fire official reimbursement | 15,000 | 15,000 | 15,000 | - |
| HR/Administration reimbursement | 10,000 | 10,000 | 10,000 | - |
| Other reimbursements | 14,000 | 14,000 | 14,000 | - |
| Miscellaneous revenue - shared services | 20,000 | 20,000 | 25,855 | 5,855 |
| Total miscellaneous anticipated revenues | 60,005 | 60,005 | 65,173 | 5,168 |
| Miscellaneous revenues offset with appropriations: | | | | |
| Uniform fire safety act revenues | | | | |
| Reserves utilized | 6,924 | 6,924 | | (6,924) |
| Annual registration fee | 330,000 | 330,000 | 349,153 | 19,153 |
| Penalties and fines | | | 9,660 | 9,660 |
| Other revenues | 20,000 | 20,000 | 26,000 | 6,000 |
| Total uniform fire safety act revenues | 356,924 | 356,924 | 384,813 | 27,889 |
| Amount to be raised by taxation to support the district budget | 560,000 | 560,000 | 560,000 | - |
| Total anticipated revenues | 976,929 | 976,929 | 1,009,986 | 33,057 |
| Total revenues | 976,929 | 976,929 | 1,009,986 | 33,057 |
| Expenditures | | | | |
| Operating appropriations: | | | | |
| Administration: | | | | |
| Salaries and wages | 124,000 | 130,750 | 130,733 | 17 |
| Commissioners salaries | 8,000 | 7,000 | 7,000 | - |
| Fringe benefits | 30,880 | 40,455 | 40,453 | 2 |
| Advertising | 1,100 | 2,250 | 2,228 | 22 |
| Professional fees | 41,000 | 44,875 | 44,862 | 13 |
| Office expenses | | 3,025 | 3,013 | 12 |
| Election | 1,300 | 1,300 | 981 | 319 |
| Total administration | 206,280 | 229,655 | 229,270 | 385 |
| Cost of operations and maintenance: | | | | |
| Fringe benefits | 37,300 | 33,425 | 33,426 | (1) |
| Rent | 38,000 | 32,100 | 32,100 | - |
| Utilities | 19,000 | 16,475 | 16,463 | 12 |
| Repairs and maintenance | 28,000 | 26,625 | 26,602 | 23 |
| Insurance | 27,000 | 30,725 | 30,724 | 1 |
| Training | 4,400 | 2,375 | 2,353 | 22 |
| Medical | 750 | 325 | 212 | 113 |
| Materials and supplies | 3,589 | 3,589 | 3,157 | 432 |
| Directors vehicle, uniform and computer | 1,000 | 1,225 | 1,201 | 24 |
| Certification and testing | 4,500 | 7,025 | 7,017 | 8 |
| Truck fuel | 9,000 | 4,650 | 4,630 | 20 |
| Radio repair | 1,100 | 475 | 466 | 9 |
| Miscellaneous | 550 | 550 | 408 | 142 |
| Building repair | 20,000 | 7,400 | 7,385 | 15 |
| Subscriptions (E-Dispatch) | 9,800 | 9,800 | 9,746 | 54 |
| Bureau of fire prevention | 10,000 | 10,000 | 10,000 | - |
| Uniforms and turnout gear | 5,500 | 5,500 | 5,450 | 50 |
| Recruitment materials | 1,000 | 425 | 423 | 2 |
| Fire equipment | 27,000 | 13,700 | 13,682 | 18 |
| Shared services - fire suppression | | 10,000 | 10,000 | - |
| Total cost of operations and maintenance | 247,489 | 216,389 | 215,445 | 944 |

(Continued)

FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| Expenditures (Continued) | Budgeted Amounts | | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------|------------------------------|---|
| | Original | Modified | | |
| Operating appropriations offset with revenues: | | | | |
| Salaries and wages | 214,100 | 214,350 | 214,345 | 5 |
| Fringe benefits | 78,824 | 84,149 | 84,135 | 14 |
| Insurance | 7,500 | 5,000 | 5,000 | - |
| Vehicle maintenance | 3,000 | 3,150 | 3,139 | 11 |
| Equipment and repairs | 3,000 | 1,925 | 1,902 | 23 |
| Fire prevention materials | 500 | 1,800 | 1,800 | - |
| Office expenses | 7,000 | 8,875 | 8,859 | 16 |
| Professional fees | 5,000 | 5,000 | 4,926 | 74 |
| Uniforms | 1,000 | 800 | 781 | 19 |
| Subscriptions | 1,500 | 2,775 | 2,771 | 4 |
| Telephone/fax | 3,000 | 4,325 | 4,310 | 15 |
| Vehicle reimbursement-District No. 1 | 5,000 | 5,000 | 5,000 | - |
| Postage | 2,500 | 2,500 | 2,500 | - |
| Fire official reimbursement | 15,000 | 15,000 | 15,000 | - |
| HR/Administration reimbursement | 10,000 | 10,000 | 10,000 | - |
| Total operating appropriations offset with revenues | 356,924 | 364,649 | 364,468 | 181 |
| Capital appropriations: | | | | |
| Capital appropriations | 67,000 | 67,000 | 60,912 | 6,088 |
| Length of service award program (LOSAP) | 20,000 | 20,000 | 17,400 | 2,600 |
| Debt service for capital appropriations: | | | | |
| Principal payment on debt service | 67,487 | 67,487 | 67,487 | - |
| Interest payment on debt service | 11,749 | 11,749 | 11,749 | - |
| Total debt service for capital appropriations | 79,236 | 79,236 | 79,236 | - |
| Total expenditures | 976,929 | 976,929 | 966,731 | 10,198 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 43,255 | 43,255 |
| Fund balance, January 1 | | | 234,420 | |
| Fund balance, December 31 | | | \$ 277,675 | |
| RECAPITULATION OF FUND BALANCE | | | | |
| Restricted fund balance | | | | |
| Capital projects | | | \$ 69,006 | |
| Assigned fund balance | | | | |
| Designated for subsequent year's expenditures | | | 9,800 | |
| Other purposes | | | - | |
| Unassigned fund balance | | | 198,869 | |
| Total budgetary basis | | | 277,675 | |
| Reconciliation to governmental fund statements:: | | | | |
| Length of service award program investment balance not recognized on the budgetary basis | | | 214,899 | |
| Total fund balance per governmental funds | | | \$ 492,574 | |

**FIRE DISTRICT NO. 1
TOWNSHIP OF WALL
RECONCILIATION OF BUDGET TO STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

Sources/Inflows of Resources:

| | |
|---|----------------------------|
| Actual amount (budgetary basis) total revenues from budgetary comparison schedule (C - 1) | \$ 1,009,986 |
| Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income | <u>(5,838)</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds (B - 2) | \$ <u><u>1,004,148</u></u> |

Use/Outflows of Resources:

| | |
|---|--------------------------|
| Actual amount (budgetary basis) total expenditures from budgetary comparison schedule (C - 1) | 966,731 |
| Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the plan | |
| Length of service award program district contribution | (17,400) |
| Participant distributions and forfeitures | <u>19,089</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds (B - 2) | \$ <u><u>968,420</u></u> |

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NO. 1
TOWNSHIP OF WALL

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

Length of Service Awards Program (LOSAP)

Changes in Benefit Terms

None.

Changes of Assumptions

None.