Monroe Township Board of Fire Commissioners – District #2

2017 Annual Audit

Prepared By:

Furey and Company, P.C.

391 Spotswood-Englishtown Road
Monroe Twp, NJ 08831
Phone # - 732-723-9500
Fax # - 732-723-0025

FIRE DISTRICT NO. 2
MONROE TOWNSHIP, NEW JERSEY

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FIRE DISTRICT NO. 2
MONROE TOWNSHIP, NEW JERSEY

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2017 Monroe Twp. Bd of Fire Commiss. – Dist #2

Glenn Borsuk

Jason Martin

Robert McGee

Michael Frisch

Alan Tannenbaum

Independent Auditor's Report

Board of fire Commissioners
Fire District #2
Township of Monroe
Monroe Twp., NJ 08831

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Monroe Twp Fire District #2, in the county of Middlesex, State of New Jersey, as of and for the year ended December 31, 2017, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Monroe Fire District #2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 12, the Fire District complies with the prescribed financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for the State and Local Governments, as of December 31, 2017.

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 township of Monroe Fire District #2, in the county of Middlesex, State of New Jersey as of December 31, 2017, and the respective changes in financial position thereof and for the year ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2018 on our consideration of the Township of Monroe Fire District #2's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion in it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Monroe Fire District #2's basic financial statements. The related major funds supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully Submitted,

Furey and Company, PC

October 26, 2018

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of fire Commissioners
Fire District #2
Township of Monroe
Monroe Twp., NJ 08831

We have audited the financial statements of the governmental activities and each major fund of the Township of Monroe Fire District #2, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2016, and have issued our report thereon dated October 26, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Monroe Fire District #2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Monroe Fire District #2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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 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, State of New Jersey.

This report is intended solely for the information and use of the management of the Fire District and the Bureau of Authority Regulation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Furey and Company, PC

October 26, 2018

REQUIRED SUPPLEMENTARY INFORMATION
PART I

Monroe Township Fire District #2
Management Discussion and Analysis
For the Year Ended December 31, 2017

As management of the Monroe Twp Fire District #2, we offer readers of the Monroe Twp Fire District #2 financial statements this narrative overview and analysis of the financial activities of the Monroe Twp Fire District #2 for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Township of Monroe Fire District #2 financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Monroe Twp Fire District #2's financial performance.

During the fiscal year ended December 31, 2015, the District implemented two new Governmental Accounting Standards Board ("GASB") requirements, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No, 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, relative to its participation in the Public Employees Retirement System (PERS) and Police and Firemen's Retirement System (PFRS). Historically, the District has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the District is required to record a liability in its financial statements for the proportionate share of the PERS & PFRS plan liability and expenses. As a result of this we had to restate the 2014 financial statement balances which created a net decrease in in the equity section of the financial statements in the amount of $4,502,996 for the period ended 12/31/2014, and as of 12/31/2017 we had a negative equity balance in our Pension Equity of $5,628,208. This negative equity was created by the implementation of the District's proportionate share of the State of NJ's PERS net pension liabilities (local only) of $23,278,401,588 and $29,617,131,759 and PFRS net pension liabilities of $17,167,260,198 and $20,706,699,056 for the periods ended June 30, 2017 and June 30, 2016 respectively. (Statewide local information was obtained from the audits of the Public Employees Retirement System and the Police and Fireman's Retirement System's financial statements as of June 30, 2017 and June 30, 2016 prepared by KPMG.)

<u>Financial Highlights:</u>

- The liabilities and deferred inflows of Monroe Twp. Fire District #2 exceeded its assets and deferred outflows at the close of the most recent year by $3,328,848. This was a result of GASB 68.
- As of the close of the current year, the Monroe Twp Fire District #2's governmental funds (GAAP Basis) reported combined ending fund balances of $1,708,059. This is comprised of $196,367 of restricted funds that are to be used for future acquisitions of capital assets, $1,509,270 of unrestricted surplus that is

To be utilized in future periods when deemed necessary, and $2,422 of Debt Service Fund that is to be used to offset future debt appropriations. The total ending funds balance has increased by $305,922 over last year's balance. As of the close of the audit period the Monroe Twp Fire District #2 had an outstanding balance on their bond debt in the amount of $3,030,000.00. See page 55 for more detail.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Monroe Twp Fire District #2's basic financial statements. The Monroe Twp Fire District #2's basic financial statements comprise three components: (1) District Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

District-Wide Financial Statements – The district-wide financial statements are designed to provide readers with a broad overview of the Monroe Twp Fire District #2's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Monroe Twp Fire District #2's assets and liabilities (GAAP Basis), with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Monroe Twp Fire District #2 is improving or deteriorating.

The Statement of Activities presents information showing how the Monroe Twp Fire District #2's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., encumbered expenditures).

Both of the district-wide financial statements distinguish functions of the Monroe Twp Fire District #2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Monroe Twp Fire District #2 include fire fighting and emergency medical services that are provided to the citizens of the Monroe Twp Fire District #2.

Fund Financial Statements – A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Monroe Twp Fire District #2, like many other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Monroe Twp Fire District #2 constitute one fund type, governmental funds.

Governmental Funds – All of the Monroe Twp Fire District #2's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Monroe Twp Fire District #2's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Monroe Twp Fire District #2 maintains four individual government funds as of the close of the audit period. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Special Revenue Fund, Capital Projects Fund, and the Debt Service Fund.

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

Also, Monroe Twp Fire District #2 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

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

District-wide Financial Analysis

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of the Monroe Twp Fire District #2, liabilities and deferred inflows exceeded assets and deferred outflows by $3,328,848 as of the close of the audit period. The largest portion of the Monroe Twp Fire District #2's net assets (55% for 2017) is reflected in the net depreciable value of Capital Assets (cost less depreciation). The remaining $3,041,148 is $1,854,955 Cash in Bank, $1,176,688 Deferred Pension Outflows (per GASB 68) and $9,505 Other Current Assets.

Statement of Net Assets
Monroe Twp Fire District #2
Net Assets
December 31, 2017 and December 31, 2016

Description	2017	2016
Current and Other Assets	$1,864,460	$1,543,449
Capital Assets:		
Cost	6,691,399	6,771,131
Less: Depreciation	(2,875,030)	(2,851,475)
Deferred Outflows	1,176,688	1,706,575
Total Assets	**$6,857,517**	**$7,169,680**
Current Liabilities Outstanding	$ 139,370	$ 124,213
Long Term Liabilities Outstanding	9,028,638	10,377,822
Deferred Inflows	1,018,357	35,122
Total Liabilities	**$10,186,365**	**$10,537,157**
Net Assets	**$(3,328,848)**	**$(3,367,477)**

Monroe Twp. Fire District #2
Net Assets
December 31, 2017 and December 31, 2016
Analysis of Net Assets

Description	2017	2016
Invested in Capital Assets Net of Related Debt and Depreciation	$ 591,301	$ 549,588
Restricted for Capital Projects	196,367	196,367
Restricted for Debt Appropriations	2,422	2,422
Unrestricted	1,509,270	1,203,348
Unrestricted to be used in subsequent years budget	0	0
Net Pension Equity	(5,628,208)	(5,319,202)
Total Net Assets	**$(3,328,848)**	**$(3,367,477)**

Governmental Activities – The Statement of Activities Shows the cost of the governmental activities program services and the charges for services and grants offsetting those services (GAAP Basis). Key elements of the increase in governmental activities are as follows:

Expenses	Amount Appropriated	
Operating Expenses:	**2017**	**2016**
Administration	$ 238,974	$ 207,725
Cost of Operations and Maintenance	3,296,909	3,450,381
Operating Appropriations Offset With Revenues	67,000	67,000
LOSAP Contribution	4,023	6,690
Municipal Authority Fees	230,519	223,369
Retirement of Debt Interest	149,387	155,513
Capital Leases	228,256	235,494
Capital Appropriations	0	0
Total Program Expenses	**$ 4,215,068**	**$ 4,346,172**
Program Revenues		
Charges for Services	$ 126,406	$ 107,421
Operating Grants & Contributions	0	0
Net Program Expenses	**$ 4,088,662**	**$ 4,238,751**
General Revenue		
Property Taxes Levied For General Purposes	$ 3,537,542	$ 3,254,663
Taxes Levied for Debt Service	522,643	531,007
Unrestricted Investment Earnings	112	1,211
Miscellaneous Revenues	57,994	64,393
Sale of Assets	9,000	0
Total General Revenues	**$ 4,127,291**	**$ 3,851,274**
Increase (Decrease) in Net Assets Through Activities	**$38,629**	**$(387,477)**
Net Assets January 1	**$(3,367,477)**	**$(2,980,000)**
Net Assets December 31	**$(3,328,848)**	**$(3,367,477)**

Property taxes constituted 98% of revenues for the government activities for the Fire District for the current year.

Cost of Operations and Maintenance comprises 78% of the Fire District expense, while Administration makes up 5% for the current year. The Municipal Authority, which are the fees charged by the MUA for fire hydrant fees and the township communications expense, makes up an additional 5% for the current year.

Financial Analysis of the Government Funds

As stated earlier, the Monroe Twp Fire District #2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund – The focus of the Monroe Twp Fire District #2's governmental funds is to provide information on near-term inflows, outflows, and balances of spend able resources. Such information is useful in assessing the Monroe Twp. Fire District #2's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a governments net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the audit period, the Monroe Twp Fire District #2's governmental funds reported combined fund balances of $1,708,059, an increase of $305,922 in comparison with the restated prior year.

Of the combined ending fund balances of $1,708,059, unreserved fund balance constituted $1,509,270 and the remaining $198,789 is the balance in the funds earmarked for Equipment and Building Acquisitions and debt reduction.

The General Fund balance of the Monroe Twp Fire District #2 increased by $305,922 during the year, the Capital Projects Fund remained the same, the Debt Service Fund remained the same, the Investment in Capital Assets increased by $41,713 in the current year and the Net Pension Equity account decreased by $309,006 which constitutes the total GAAP Basis surplus of $38,629.

General Fund Budgetary Highlights

Miscellaneous Revenues – The District had $57,994 of miscellaneous revenues during the current year. These were comprised of $6,140 of solar panel and other rebates, $51,540 of bond refunding monies (of which $40,150 was used for associated professional fees) and $314 of other miscellaneous rebates and refunds.

During 2017 the Monroe Twp Fire District #2 budgeted $4,060,185 and received $4,060,185 in property tax revenue; budgeted $1,500 in interest income and received $112; budgeted $67,000 in NJ LHU Rebates, Township Supplemental and Local Fire Safety Fees revenue and received $126,406.

The final budgetary basis expenditure appropriations for 2017 were $3,947,775 and the final budgetary basis revenues for 2017 was $4,253,697 which resulted in a 2017 year - end actual surplus of $305,992.

Capital Assets and Debt Administration

Capital Assets – The Monroe Twp Fire District #2's investment in capital assets for it's governmental activities as of December 31, 2017 amounts to $591,301 (net of accumulated depreciation and related debt). This investment in capital assets includes depreciable building improvements, vehicles and fire fighting equipment. The District has spent $5,976,610.99 on costs associated with the new firehouse (although the Township of Monroe has contributed $1,603,753.41 as of the end of the audit period for the inclusion of an EMS center in the firehouse so we can only account for $ 4,372,857.58). Since in governmental accounting the cost of the asset has been expensed directly in the budget through capital appropriations, we have created an equity account on the balance sheet to offset the net value of the assets.

Monroe Twp Fire District #2
Capital Assets
December 31, 2017

Asset	Amount
New Firehouse	$ 4,372,858
Less Related Debt	(3,030,000)
Less Deferred Debt Reduction - Bond Refunding	(195,000)
Building and Improvements	246,392
Vehicles	1,282,225
Firefighting Equipment	783,986
Office Equipment	5,938
Less: Accumulated Depreciation	(2,875,030)
Net Invested in Capital Assets	**$ 591,301**

Long Term Obligations

For the 2017 year, the Monroe Twp Fire District #2 did not receive any bond revenues, but they executed a bond refunding and had a year-end balance due of $3,030,000.00. (See page 46)

Economic Factors and Next Years Budget

For the 2017 year the Monroe Twp Fire District #2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 98% of total revenues are from the local tax levy, while the remaining 2% is from other sources.

The board of Fire Commissioners adopted the 2017 budget on January 11, 2017 and the voters subsequently approved the budget at the annual fire district election held on February 18, 2017.

Requests for Information

This financial report is designed to provide a general overview of the Monroe Twp Fire District #2's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Monroe Twp Board of Fire Commissioners District #2, 391 Spotswood-Englishtown Rd. Monroe Twp NJ 08831

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Township of Monroe Fire District #2
Statement of Net Position
December 31, 2017 and December 31, 2016

Assets		**2017**		**2016**
Unrestricted Assets	$	1,656,165	$	1,321,829
Restricted Assets		198,789		198,789
Assets Offset With Debt & Deferrals		3,225,068		3,370,068
Capital Assets - Net		591,301		549,588
Other Assets		9,505		22,831
Deferred Outflows-GASB 68		1,176,688		1,706,575
Total Assets	**$**	**6,857,517**	**$**	**7,169,680**

Liabilities

Accounts Payable - Encumbrances	$	146,241	$	131,084
Non-Current Liabilities:				
Due Within One Year		155,000		145,000
Due Beyond One Year		2,885,228		3,235,296
Deferred Benefit From Bond Refunding		195,000		0
Net Pension Liability-GASB 68		5,786,539		6,990,655
Total Liabilities	**$**	**9,168,008**	**$**	**10,502,035**
Deferred Inflows-GASB 68		1,018,357		35,122
Net Assets	**$**	**(3,328,848)**	**$**	**(3,367,477)**

Invested in Capital Assets, Net of Related Debt and Depreciation	$	591,301	$	549,588
Restricted For:				
Debt Appropriations		2,422		2,422
Captial Projects		196,367		196,367
Unrestricted General Fund		1,509,270		1,203,348
Net Pension Equity-GASB 68		(5,628,208)		(5,319,202)
Total Net Assets	**$**	**(3,328,848)**	**$**	**(3,367,477)**

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

Exhibit A-1

Township of Monroe Fire District #2
Statement of Revenues, Expenses & Changes in Net Assets
Statement of Activities
December 31, 2017 and December 31, 2016

Expenses		**2017**		**2016**
Operating Appropriations:				
Administration	$	238,974	$	207,725
Cost of Operations and Maintenance		3,296,909		3,450,381
Operating Appropriations Offset With Revenues		67,000		67,000
LOSAP Contrubution (P.L. 1997, c. 388)		4,023		6,690
Municipal Authority Fees		230,519		223,369
Retirement of Bond Interest		149,388		155,513
Capital Leases		228,255		235,494
Capital Appropriations		0		0
Total Expenses	**$**	**4,215,068**	**$**	**4,346,172**
Revenues				
Program Revenues:				
Charges for Servcices	$	126,406	$	107,421
Operating Grants and Contributions		0		0
Net Program Expenses	**$**	**4,088,662**	**$**	**4,238,751**
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes	$	3,537,542	$	3,254,663
Property Taxes Levied for Debt Services		522,643		531,007
Unrestricted Investment Earnings		112		1,211
Sale of Asset		9,000		0
Miscellaneous Revenues		57,994		64,393
Total General Revenues	**$**	**4,127,291**	**$**	**3,851,274**
Increase in Net Assets	**$**	**38,629**	**$**	**(387,477)**
Net Assets January 1	**$**	**(3,367,477)**	**$**	**(2,980,000)**
Net Assets December 31	**$**	**(3,328,848)**	**$**	**(3,367,477)**

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

Exhibit A-2

FUND FINANCIAL STATEMENTS

Township of Monroe Fire District #2
Balance Sheet - Governmental Funds
December 31, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	1,656,165	0	196,367	2,422	1,854,954
Other Assets	9,506	0	3,225,068	0	3,234,574
Deferred Outflows-GASB 68	1,176,688	0	0	0	1,176,688
Total Assets & Deferred Outflows	2,842,359	0	3,421,435	2,422	6,266,216
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable-Encumbrances	146,241	0	0	0	146,241
Other Liabilities	10,228	0	3,225,000	0	3,235,228
Net Pension Liability-GASB 68	5,786,539				5,786,539
Deferred Inflows-GASB 68	1,018,357				1,018,357
Total Liabilities & Deferred Inflows	6,961,365	0	3,225,000	0	10,186,365
Fund Balances:					
Reserved for:					
Future Capital Outlays	0	0	196,367	0	196,367
Grant Appropriations	0	0	0	0	0
Unreserved:					
Undesignated	1,509,270	0	0	2,422	1,511,692
Designated for Subsequent Years Expenditures	0	0	0	0	0
Pension Equity-GASB 68	(5,628,208)	0	0	0	(5,628,208)
Total Fund Balances	(4,118,938)	0	196,367	2,422	(3,920,149)
Total Liabilities and Fund Balances	2,842,427	0	3,421,367	2,422	6,266,216

(Continued)

Exhibit B-1

Township of Monroe Fire District #2
Balance Sheet - Governmental Funds
December 31, 2017

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

➢ Capital assets used in government activities are not financial resources and therefore Are not reported in the funds. The cost of the assets is $6,691,399 less the accumulated depreciation of $2,875,030 and related debt and deferred benefits of $3,225,000.	$ 591,301
➢ Add Total Government Funds less Total Liabilities from page 20.	(3,920,149)
➢ **Net Assets of Governmental Activities**	**$(3,328,848)**

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

Exhibit B-1

Township of Monroe Fire District #2

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds

For the Year Ended December 31, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Miscellaneous Revenues	58,106	0	0	0	58,106
Sale of Assets	9,000	0	0	0	9,000
Misc Revenues Offset with Appropriations	126,406	0	0	0	126,406
Amount to be Raised by Taxation to Support the District Budget	3,537,542			522,643	4,060,185
Non-Budgetary Revenues	0	0	0	0	0
Total Revenues	3,731,054	0	0	522,643	4,253,697
Expenditures					
Operating Appropriations:					
Administration	238,974	0	0	0	238,974
Cost of Operations and Maint.	2,884,616	0	0	0	2,884,616
Operating Appropriations Offset with Revenues	67,000	0	0	0	67,000
LOSAP Contribution	4,023	0	0	0	4,023
Municipal Authority	230,519	0	0	0	230,519
Captial Appropriations	0	0	0	0	0
Capital Leases	0	0	0	228,256	228,256
Debt Service:					
Principal	0	0	0	145,000	145,000
Interest	0	0	0	149,388	149,388
Total Expenditures	3,425,132	0	0	522,643	3,947,775

(Continued)

Exhibit B-2

Township of Monroe Fire District #2

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds

For the Year Ended December 31, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
(Continued From Page 22)					
Excess (Deficiency) of Revenues over Expenditures	305,922	0	0	0	305,922
Other Financing Sources (Uses):					
Captial Appropriation Transfer to/from General Fund	0	0	0	0	0
Total Other Fin. Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	305,922	0	0	0	305,922
Fund Balance December 31, 2016	1,203,348	0	196,367	2,422	1,402,137
Fund Balance December 31, 2017	1,509,270	0	196,367	2,422	1,708,059

Township of Monroe Fire District #2

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statements of Activities

For the Year Ended December 31, 2017

Total Net Changes in Fund Balances-Governmental Funds	$ 305,922
Capital outlays are reported in governmental funds as expenditures. However, in the statement activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the difference between capital outlays and depreciation in the period.	(103,287)
Pension accruals per GASB 68 are reported as expenditures in the Statement of Activities but since they do not affect the Governmental Fund Balances they are excluded. The net effect is reflected in the Net Pension Equity account.	(309,006)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	145,000
Change in Net Assets of Governmental Activities	$ 38,629

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

Exhibit B-3

Township of Monroe Fire District #2
Notes to Financial Statements
For the Year Ended December 31, 2017

Note 1: Summary of Significant Accounting Policies

Description of Reporting Entity - Fire District #2 of the Township of Monroe is a political subdivision of the Township of Monroe, Middlesex County, New Jersey. A board of five commissioners oversees all operations of the Fire District.

Fire District's are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Fire District #2 of the Township of Monroe has one volunteer fire company within its jurisdiction, the Appplegarth Fire Company #1.

Component Units – GASB Statement No 14, *The Financial reporting Entity,* provides guidance that all entities associated with a primary government are potential component unites and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No 14, as amended by GASB Statement No 39, *Determining Whether Certain Organizations are Component Units.* As of December 31, 2016 it has been determined by the Fire District that no component units exist.

Basis of Presentation – The financial statements of the Monroe Twp Fire District #2 have been prepared in conformity with accounting principals 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 principals. The more significant of the Fire District's accounting policies are described in this note.

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

- **District-Wide Financial Statements –** The Statement of Net Assets and the Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the government. The Statement of Net Assets presents the financial condition of the governmental activities of the

Note 1: Summary of Significant Accounting Policies

Basis of Presentation (Cont'd)

Fire District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that re restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District. These statements are presented in GAAP format and comply with the new guidance per GASB Statement No. 68.

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

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

- **General Fund –** The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of its financial

Note 1: Summary of Significant Accounting Policies

Governmental Funds (Cont'd)

resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

- **Special Revenue Fund –** The Special Revenue Fund is used to account for the proceeds of specific revenue sources, such as state of federal government grants and appropriations, which are legally restricted to expenditures for specified purposes.
- **Capital Projects Fund –** The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance.
- **Debt Service Fund –** The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Measurement Focus

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

Note 1: Summary of Significant Accounting Policies

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

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

  Non-Exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Val Orem (property) taxes, grants, entitlements, and donations. Ad Val Orem (property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive monies under the following established payment schedule: on or before April 1, an amount equaling the 4th quarter payment from the previous year; on or before July 1, an amount equaling 25% of the assessed value plus or minus the difference between the 4th quarter of the previous year and 25% of the current year assessment; on or before October 1, an amount equaling 25% of the assessed value; on or before December 31, an amount equaling 25% of the assessed value. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants, fees, rentals.

Note 1: Summary of Significant Accounting Policies

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

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

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

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

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's basic fund financial statements.

Amounts reported under "final budget" on Exhibit C-1 includes modifications, if any, to the adopted budget that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and Special Revenue Fund Budgetary Comparison Schedule to the GAFP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting.

Encumbrances – Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than special

Note 1: Summary of Significant Accounting Policies

Encumbrances (Cont'd)
revenue funds are reported as liabilities and expenditures in the financial statements as well as in the budgetary comparison schedule. Any expenditure shortfalls are added back to the budget as miscellaneous income.

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

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. US Treasury and agency obligations and certificates of deposits with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair market value.

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the act. Public depositories include state of federally chartered banks, savings banks or associations located in the State of NJ or state or federally chartered banks, savings banks or associations located in another state with a branch office in the state of NJ, 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 funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental units.

Note 1: Summary of Significant Accounting Policies

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date of contribution. The Fire District maintains a capitalization threshold of approximately $5,000.00. Improvements are capitalized; the cost of maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Description	Estimated Lives
Building and Improvements	15 – 39 Years
Vehicles	5 – 7 Years
Firefighting Equipment	5 – 7 Years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purposes. In summary, fire districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to $60,000 or 2% of the assessed valuation of property, whichever is larger.

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

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

Note 1: Summary of Significant Accounting Policies

Accrued Liabilities and Long Term Obligations – All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

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

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

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

Note 2: Cash and Cash Equivalents

All bank deposits as of December 31, 2017 are classified as to credit risk by the following three categories described below:

- **Category 1 –** Insured or collateralized securities held by the Fire District or by its agent in the Fire District's name.
- **Category 2 –** Collateralized with securities held by the pledging public depository's trust department or agent in the Fire District's name.
- **Category 3 –** Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent but not in the Fire District's name (GUPDA).

Note 2: Cash and Cash Equivalents (Cont'd)

As of December 31, 2016, the Fire District's deposits are summarized as follows:

Category	Amount
1	$ 250,170
2	0
3	1,604,785
Total	$ 1,854,955

Note 3: Property Tax Levies:

The following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per $100.00 of assessed valuations for the current and preceding four years (per the submitted DCA budget for that period):

Year	Assessed Valuation	Total Tax Levy	Tax Rate
2017	$ 2,950,685,048	$ 4,060,185	$ .13760
2016	$ 2,805,103,224	$ 3,785,670	$ .13496
2015 (revalued)	$ 2,615,914,086	$ 3,612,600	$ .13810
2014	$ 1,349,214,858	$ 3,465,215	$ .25683
2013	$ 1,311,909,734	$ 3,336,675	$ .25434
2012	$ 1,289,688,330	$ 3,305,170	$ .25628

Note 4: Receivables:

None.

Note 5: Capital Assets

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

Asset	Balance 1-1-17	Increases	Decreases	Balance 12-31-17
New Firehouse	4,372,858	0	(68)	4,372,790
Building and Improvements	246,392	0	0	246,392
Vehicles	1,453,825	0	(171,600)	1,282,225
Office Equipment	5,938	0	0	5,938
Firefighting Equipment	692,118	91,868	0	783,986
Total Captial Assets being Depr.	6,771,131	91,868	(171,600)	6,691,331
Less Accum. Depreciation:				
New Firehouse	(784,872)	(112,125)	0	(896,997)
Building and Improvements	(85,283)	(5,133)	0	(90,416)
Vehicles	(1,415,670)	(20,995)	171,600	(1,265,065)
Office Equipment	(5,938)	0	0	(5,938)
Firefighting Equipment	(559,712)	(56,902)	0	(616,614)
Total Accumulated Depreciation	(2,851,475)	(195,155)	171,600	(2,875,030)
Less: Related Debt & Deferred Benefit	(3,370,068)	0	145,068	(3,225,000)
Total Capital Assets being Depreciated, net of related debt	549,588	(103,287)	0	591,301
Capital Assets, Net	549,588	(103,287)	0	591,301

* Depreciation increases were expensed to Cost of Operations and Maintenance in the Statement of Activities.

Note 6: Long-Term Obligations

In 2011 the department entered into a capital lease for a new Pierce Aerial Truck payable over 10 years, the asset will be capitalized when and if upon lease termination the department decides to take title to the apparatus.

In 2016 the department entered into a capital lease for a new Pierce Velocity Pumper payable over 5 years, the asset will be capitalized when and if upon lease termination the department decides to take title to the apparatus.

Item	Principal 1-1-17	Increases	Decreases	Principal 12-31-17	Due W/In One Year
Capital Lease Payable	452,461.00	0.00	100,281.00	352,180.00	100,281.00
Capital Lease Payable	561,953.00	0.00	100,693.00	461,260.00	100,693.00
Bonds Payable	3,370,068.00	0.00	340,068.00	3,030,000.00	155,000.00
Total Governmental Activities L/T Liabilities	4,384,482.00	0.00	541,042.00	3,843,440.00	355,974.00

Due to a bond refunding executed in 2017 the district was able to reduce its principal debt portion of the bond by $195,068 and future interest by $283,904. Although since we do not capitalize the interest only the principal reduction is reflected on the Statement of Net Assets as Deferred Benefit From Bond Refunding. This account will be adjusted each year to reflect the current year benefit from the refunding. See the Bond Payable note on page 55 for more information.

Note 7: Leases

Lease Obligations – As of December 31, 2017 the fire district had the following lease agreements in effect:

- Capital – See note 6
- Operating – Building for housing some fire apparatus. The lease agreement is with the Applegarth Volunteer Fire Company #1 and is for $2,000/month.

Note 8: Pension Plans

The fire district contributes to two cost-sharing multiple-employer defined benefit plans, the Public employee's Retirement System and the Police and Fireman's Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B for the PERS and N.J.S.A. 43:16A and 43:3B for the PFRS. Each plan has a board of trustees that is primarily responsible for its administration. The Division issues a publicly

available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295

In accordance with Chapter 415 P.L. 1999 the Public Employees Retirement System member contribution rate was 7.34% of their annual covered salary for calendar year 2017. In accordance with Chapter 204, P.L. 1989 the Police and Fireman's Retirement System member contribution rate was 10% of their covered annual salary for calendar year 2017. Beginning in 2002 the Division of Pensions and Benefits gave employers of member of PERS and PFRS a reduced employer contribution due to system surpluses. This allowance has begun being phased out. For the year 2007 the Public Employees Retirement System had a 60% phase-in, which increased to 80% in 2008. The Police and Fireman's Retirement System had an 80% phase-in in 2007 and went to 100% for 2008.

Public Employee's Retirement System (PERS)

Employer and Employee Contributions:

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and n amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. During the years ended December 31, 2016 and 2015, the PERS received employer and employee contributions as follows:

	2017	**2016**
Employer Contributions	$ 6,785	$ 7,844
Employee Contributions	$ 3,654	$ 3,594
Salary Basis for Contributions	$ 50,362	$ 50,736
Percent of Base Wages	7.06% - 7.34%	6.92% - 7.06%

Pension Liabilities, Pension Expense, and deferred Outflows of Resources and deferred Inflows of Resources Related to Pensions:

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date; therefore, the District has elected to utilize June 30, 2017 and 2016 as the measurement dates, respectively.

Notes to Financial Statements (Cont'd)

The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At December 31, the District's proportionate share and net pension liability was as follows:

	2017	**2016**
PERS net pension liability (local)	$ 23,278,401,588	$ 29,617,131,759
District net pension liability	$ 170,493	$ 261,504
District's proportion	.0007324104%	.0008829498%
	2017	**2016**
Dist. Share of pens exp	$ 12,297	$ 24,966
Pens exp related to specific liabilities of employers	0	(7,844)
Net amnt of deferral amnts from changes in proportion	(7,785)	(1,796)
Other changes	0	0
Total employer pension expense	$ 4,512	$ 15,326

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

	2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 4,015	$ 0
Changes of assumptions	34,349	34,223
Changes in proportion	2,250	33,414
Net difference between projected & actual earnings on plan investments	1,161	0
Changes in proportionate share	0	0
Total	$ 41,775	$ 67,637
	2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 4,863	$ 0
Changes of assumptions	54,170	0
Changes in proportion	2,881	9,010
Net difference between projected & actual earnings on plan investments	9,971	0
Changes in proportionate share	0	0
Total	$ 71,885	$ 9,010

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2017	**2016**
Inflation rate	2.25%	3.08%
Salary Increases Through 2026	1.65% - 4.15% Based on age	1.65% - 4.15% Based on age
Thereafter	2.65% - 5.15% Based on age	2.65% - 5.15% Based on age
Investment rate of return	7.00%	7.65%

For the years ended June 30, 2017 and 2017, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2013 based on Projection Scale AA.

Long Term Expected Rate of Return

In accordance with state statute, the long term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	**Target Allocation**	**Long Term Expected Real Rate of Return**
Absolute return/risk	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credits	10.00%	3.78%
High yield bonds	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Fnd	1.00%	6.60%
Debt Related Priv Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US Developed Mkts	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long expected rate of return on plan investments was applied to projected benefits through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of December 31, 2017 and December 31, 2016 assuming the above discount rates and the Districts proportionate share of the net pension liability:

	2017		
	At 1% Decrease (4%)	**At Current Discount Rate (5%)**	**At 1% Increase (6%)**
PERS as a whole (local)	$28,878,437,027	$23,278,401,588	$24,106,170,190
Districts proportionate share of net pension liability	$211,509	$170,493	$136,323

	2016		
	At 1% Decrease (2.98%)	**At Current Discount Rate (3.98%)**	**At 1% Increase (4.98%)**
PERS as a whole (local)	$36,292,338,055	$29,617,131,759	$24,106,170,190
Districts proportionate share of net pension liability	$320,443	$261,504	$212,845

Police & Fireman's Retirement System (PFRS)

Employer and Employee Contributions:

The contribution policy for PFRS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and n amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. During the years ended December 31, 2017 and 2016, the PFRS received employer and employee contributions as follows:

	2017	**2016**
Employer Contributions	$ 321,280	$ 287,358
Employee Contributions	$ 133,316	$ 128,563
Salary Basis for Contributions	$ 1,333,160	$ 1,285,630
Percent of Base Wages	10%	10%

Pension Liabilities, Pension Expense, and deferred Outflows of Resources and deferred Inflows of Resources Related to Pensions:

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date; therefore, the District has elected to utilize June 30, 2017 and 2016 as the measurement dates, respectively.

The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At December 31, the District's proportionate share and net pension liability was as follows:

	2017	**2016**
PFRS net pension liability (local)	$ 17,167,260,198	$ 20,706,699,056
District net pension liability	$ 5,604,337	$ 6,732,467
District's proportion	.0363020677%	.03251347%

	2017	**2016**
Dist. Share of pens exp	$ 508,274	$ 720,352
Pens exp related to specific liabilities of employers	(321,280)	(287,358)
Net amnt of deferral amnts from changes in proportion	91,421	62,563
Other changes	0	1
Total employer pension expense	$ 278,415	$ 495,558

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

	2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of assumptions	$ 691,077	$ 917,827
Net difference between projected & actual experience	36,358	32,893
Changes in proportion & differences between projected and actual investment earnings on pension plans	407,478	0
Total	$ 1,134,913	$ 950,720

	2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of assumptions	$ 932,502	$ 0
Net difference between projected & actual experience	0	44,132
Changes in proportion & differences between projected and actual investment earnings on pension plans	702,368	0
Total	$ 1,634,870	$ 44,132

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2017	**2016**
Inflation rate	2.25%	3.08%
Salary Increases Through 2026	2.10% - 8.98% Based on age	2.10% - 8.98% Based on age
Thereafter	3.10% - 9.98% Based on age	3.10% - 9.98% Based on age
Investment rate of return	7.00%	7.65%

For the years ended June 30, 2017 and 2016, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2013 based on Projection Scale AA.

Long Term Expected Rate of Return

In accordance with state statute, the long term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Absolute return/risk	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credits	10.00%	3.78%
High yield bonds	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Fnd	1.00%	6.60%
Debt Related Priv Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US Developed Mkts	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.14% and 5.55% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long expected rate of return on plan investments was applied to projected benefits through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of December 31, 2017 and December 31, 2016 assuming the above discount rates and the Districts proportionate share of the net pension liability:

	2017		
	At 1% Decrease (5.14%)	**At Current Discount Rate (6.14%)**	**At 1% Increase (7.14%)**
PFRS as a whole	$22,619,279,081	$17,167,260,198	$12,687,806,745
Districts proportionate share of net pension liability	$8,211,266	$6,232,070	$4,605,936

	2015		
	At 1% Decrease (4.55%)	**At Current Discount Rate (5.55%)**	**At 1% Increase (6.55%)**
PFRS as a whole	$26,699,770,118	$20,706,699,056	$15,819,710,095
Districts proportionate share of net pension liability	$8,681,022	$6,732,467	$5,143,537

Note 9: Risk Management

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

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

NJ Unemployment Compensation Insurance – The Fire District covers its employees under the NJ Unemployment Trust Fund by the "contribution" method. Under this method, a contribution rate is established annually for the Fire District share of unemployment tax. This rate is based on cost experience for all government employers.

Note 10: Deferred Compensation

The Fire District offers its employees a Deferred Compensation Plan in accordance with the Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. As of December 31, 2017 no employees of the Fire District contribute to this plan.

Note 11: Fund Balances

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

- **For Future Capital Outlays** – These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against the appropriation. As of December 31, 2017 the balance is $196,367.
- **Special Revenue Fund** – These funds are restricted by the awarding agency to appropriate these monies to a specific expenditure. As of December 31, 2017 the balance is $0.
- **Debt Service Fund** – These funds are accumulated through investments earned on debt instruments while in the Districts possession as well as any surpluses that are generated through debt appropriations. As of December 31, 2017 the balance is $2,422.

Unreserved:
At the close of the audit period ended December 31, 2017 there was an unreserved fund balance of $1,509,270 (see pg. 48-51 Exhibit C-1). Of the $1,509,270 unreserved fund balance at December 31, 2017, $30,000.00 has been designated for the subsequent year's expenditures.

Note 12: Change in Accounting Principle & Restatement of Fund Balance

For the year ended December 31, 2004, the Fire District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions", GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures". GASB 34 creates new basic financial statements for reporting the Fire District's financial activities. The financial statements now include district-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

Note 13: Length of Service Award Programs

The Fire Districts Length of Service Awards Program (LOSAP) was created by a Fire District Resolution adopted on November 8, 2000 pursuant to section 457 (e)(11)(13) if 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 voters of the Township of Monroe Fire District #2 approved the adoption of the plan at the annual election held on February 17, 2001. The plan provides tax deferred income benefits to active volunteer firefighters. Amounts deferred under section 457 plans must be held in trust for the exclusive benefit of participating member and not be accessible by the Fire District or its creditors. As required by N.J.A.C.5:30-14.48, the Fire District must have an annual review of it LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

Township of Monroe Fire District #2

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Neg) Final to Actual
Revenues:					
Anticipated Revenues:					
Prior Year Surplus	0	0	0	0	0
Solar Rebates	5,000	0	5,000	6,140	1,140
Interest on Investments	1,500	0	1,500	113	(1,387)
Total Anticipated Revenues	6,500	0	6,500	6,253	(247)
Operating Grant Revenue:					
Supplemental Fire Services Grant	2,500	0	2,500	2,500	0
Revenues Offset with Appropriations:					
Uniform Fire Safety Act					
Fire Safety Fees	40,000	0	40,000	80,856	40,856
NJ LHU Rebates	24,500	0	24,500	43,050	18,550
Total Revenues Offset with Appropriations	64,500	0	64,500	123,906	59,406
Amount to be Raised By Taxation	4,060,185	0	4,060,185	4,060,185	0
Total Anticipated Revenues	4,133,685	0	4,133,685	4,192,844	59,159
Non-Budgetary Revenues:					
Sale of Asset	0	0	0	9,000	9,000
Miscellaneous Revenues	0	0	0	51,608	51,608
Unexpended Prior Yr Encumbrances	0	0	0	246	246
Total Non-Budgetary Revenues	0	0	0	60,854	60,854
Total Revenues	4,133,685	0	4,133,685	4,253,697	120,012

(Continued) **Exhibit C-1**

Township of Monroe Fire District #2
Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Neg) Final to Actual
Expenditures:					
Operating Appropriations:					
Administration:					
Election Cost	5,000	(3,000)	2,000	1,798	202
Insurance-Liability	115,000	(10,000)	105,000	104,047	953
Professional	65,000	17,000	82,000	81,816	184
Office Supplies	5,000	(1,000)	4,000	3,813	187
General Administrative	15,000	0	15,000	15,000	0
Commissioners Salary	25,000	0	25,000	25,000	0
Recording Secretary	7,500	0	7,500	7,500	0
Total Administrative	237,500	3,000	240,500	238,974	1,526
Cost of Operations & Maintenance:					
Career Firefighters	1,634,520	(5,000)	1,629,520	1,628,949	571
Sub and Temporary Firefighters	10,000	5,000	15,000	14,760	240
Service Technician Pay	33,500	0	33,500	32,862	638
Health Ins & Payroll Taxes	580,000	(3,000)	577,000	550,634	26,366
Pension Expense	295,205	0	295,205	295,201	4
Volunteer Incentive Program	12,000	0	12,000	5,395	6,605
Building Lease	24,000	0	24,000	24,000	0
Equipment & Supplies	163,285	0	163,285	139,581	23,704
Equipment Operations	190,000	0	190,000	158,535	31,465
Communications Expense	30,000	0	30,000	12,603	17,397
Training & Physical Expense	30,000	0	30,000	10,830	19,170
Cost of O&M Subtotal	3,002,510	(3,000)	2,999,510	2,873,350	126,160

(Continued) **Exhibit C-1**

Township of Monroe Fire District #2
Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Neg) Final to Actual
Expenditures:					
Operating Appropriations Cont'd:					
Cost of Operations and Maintenance Cont'd:					
Stand-By Supplies	9,000	2,200	11,200	11,167	33
Public Relations	5,000	(2,200)	2,800	99	2,701
Total Cost of Operations and Maintenance	3,016,510	(3,000)	3,013,510	2,884,616	128,894
Operating Appropriations Offset with Revenues	67,000	0	67,000	67,000	0
Municipal Authority:					
Fire Hydrant Fees	240,000	0	240,000	230,519	9,481
Township Network Commun.	40,000	0	40,000	0	40,000
Total Municipal Authority	280,000	0	280,000	230,519	49,481
LOSAP Contribution	10,000	0	10,000	4,023	5,977
Debt Service Obligations:					
Retirement of Debt	345,975	0	345,975	345,975	0
Interest on Debt	176,700	0	176,700	176,668	32
Total Debt Service Obligations	522,675	0	522,675	522,643	32
Capital Appropriations:					
Equipment Acquisitions	0	0	0	0	0
Total Expenditures	4,133,685	0	4,133,685	3,947,775	185,910

(Continued) **Exhibit C-1**

Township of Monroe Fire District #2
Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Neg) Final to Actual
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	305,922	305,922
Less Fund Transfers During the Current Period				0	
Less Amount Designated for Restricted Funds				0	
Fund Balance January 1, 2017				1,402,137	
Fund Balance December 31, 2017				1,708,059	

(Continued) **Exhibit C-1**

Township of Monroe Fire District #2
Required Supplementary Information
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

Note A – Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

Sources / Inflows of Resources:	**General Fund**	**Capital Fund**	**Debt Fund**
Actual Amounts (budgetary basis) "revenue" from the budgetary comparison schedule	$ 3,731,054	$ 0	$522,643
The utilization of the prior year surplus that is added to the revenues in the budget is recognized under the budgetary basis but not GAAP.	0	0	0
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Net Assets	$ 3,731,054	$ 0.00	$ 522,643
Uses / Outflows of Resources:	**General Fund**	**Capital Fund**	**Debt Fund**
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	$ 3,425,132	$ 0	$ 522,643
GAAP accrual adjustments	412,293	0	(145,000)
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Net Assets	$ 3,837,425	$ 0	$ 377,643

Exhibit C-3

OTHER SUPPLEMENTARY INFORMATION

LONG TERM DEBT

Township of Monroe Fire District #2
Schedule of Long Term Debts
For the Year Ended December 31, 2017

Bond Payable:

The district received bond revenues in the amount of $4,345,068.00 during 2007. The $4,345,000 Fire District Bonds, Series 2007 (the "Bonds") of the Board of Commissioners of the Monroe Township Fire District No. 2, in the County of Middlesex, New Jersey were issued in the form of one certificate for the aggregate principal amount of the Bonds maturing each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, (DTC) which will act as Securities Depository.

Interest on the Bonds will be payable semiannually on January 1 and July 1 in each year until maturity, commencing on July 1, 2008. Principal of and interest on the Bonds will be paid to DTC by the Fire District. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding December 15 and June 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds are subject to redemption prior to their stated maturities.

The Bonds have been designated as "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Code.

The Bonds are being issued pursuant to (i) Title 40A, Chapter 14, Section 86, of the New Jersey Statutes, as amended and supplemented (the "Fire District Law"); (ii) a proposal adopted by the Fire District on July 11, 2007 and approved by a majority of the legal voters present and voting at an election held on September 24, 2007; and (iii) a resolution duly adopted by the Fire district on November 14, 2007. The Bonds are being issued for the purpose of providing funds which will be used to finance the construction of a new one-story fire house in the Township.

The Bonds are valid and legally binding obligations of the Fire District, and, unless paid from other sources, are payable from ad valorem taxes levied upon all the tax able real property within the Fire District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

In 2017 the district entered into bond refunding agreement in order to save money on the bond over the life of the bond. Below is a copy of the bonds Official Statement for your review.

OFFICIAL STATEMENT DATED MAY 18, 2017
NEW ISSUE – BOOK-ENTRY-ONLY Rating: (See "RATING" herein)

In the opinion of McCarter & English, LLP, Bond Counsel to the Fire District (as defined herein), assuming continuing compliance by the Fire District with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations. Based upon existing law, interest on the Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

BOARD OF COMMISSIONERS OF THE MONROE TOWNSHIP FIRE DISTRICT NO. 2, IN THE COUNTY OF MIDDLESEX, NEW JERSEY $3,030,000 FIRE DISTRICT REFUNDING BONDS, SERIES 2017 (Callable) (Bank-Qualified)

Dated Date: Date of Delivery **Due:** July 1, as shown below

The $3,030,000 Fire District Refunding Bonds, Series 2017 ("Bonds") of the Board of Commissioners of the Monroe Township Fire District No. 2, in the County of Middlesex, New Jersey ("Board" when referring to the governing body and "Fire District" when referring to the legal entity governed by the Board), will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Bonds will be payable semiannually on the first day of January and July in each year until maturity or earlier redemption, commencing January 1, 2018. The principal of and the interest on the Bonds will be paid to DTC by the Fire District as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding December 15 and June 15 ("Record Dates" for the payment of interest on the Bonds). The Bonds are subject to redemption prior to their stated maturities. See "THE BONDS - Redemption" herein.

The Bonds are authorized to be issued pursuant to: (i) Title 40A, Chapter 14, Section 85, of the New Jersey Statutes, as amended and supplemented ("Fire District Law"); and (ii) a resolution duly adopted by the Board on April 12, 2017.

The Bonds are being issued to provide funds that will be used to: (i) currently refund and redeem all of the Fire District's outstanding callable Fire District Bonds, Series 2007,

maturing on July 1 in the years 2018 through and including 2032; and (ii) pay certain costs and expenses incidental to the issuance, sale and delivery of the Bonds.

The Bonds are valid and legally binding obligations of the Fire District and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the Fire District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Year	Principal Amount	Interest Rate	Yield	CUSIP
2018	$155,000	2.00%	1.00%	611310BE2
2019	165,000	2.00	1.20	611310BF9
2020	170,000	2.00	1.35	611310BG7
2021	170,000	2.00	1.50	611310BH5
2022	180,000	3.00	1.65	611310BJ1
2023	180,000	3.00	1.78	611310BK8
2024	190,000	3.00	1.92	611310BL6
2025	200,000	4.00	2.10	611310BM4
2026	205,000	4.00	2.25	611310BN2
2027	210,000	4.00	2.35	611310BP7
2028	220,000	4.00	2.50	611310BQ5
2029	230,000	4.00	2.65	611310BR3
2030	240,000	4.00	2.73	611310BS1
2031	255,000	4.00	2.83	611310BT9
2032	260,000	4.00	2.90	611310BU6

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McCarter & English, LLP, Newark, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the Fire District by its Counsel, McLaughlin Stauffer Shaklee, PC, Wall Township, New Jersey. Certain legal matters will be passed upon for the Underwriter by its counsel, McManimon, Scotland & Baumann, LLC, Roseland, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor to the Fire District in connection with the Bonds. The Bonds are expected to be available for delivery in definitive form to DTC in New York, New York, on or about June 14, 2017.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Fire District #2
Township of Monroe, New Jersey
Schedule of Findings and Recommendations
For the Year Ended December 31, 2017

Schedule of Financial Statement Findings

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

The books and records of the Monroe Twp Fire District #2 were compliant with all the rules and regulations set forth. All receipts were properly accounted for and all expenditures were diligently appropriated. We have no additional recommendations for the board with regards to the audit period in question.

Fire District #2
Township of Monroe, New Jersey

Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management

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

Financial Statement Findings

None.

Appreciation

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

Respectfully Submitted,

Furey and Company, PC