FIRE DISTRICT NO. 1
OF THE TOWNSHIP OF WASHINGTON

Financial Statements and Supplementary Information

For the year ended December 31, 2018

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
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For the year ended December 31, 2018
(With Independent Auditor's Report thereon)

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(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of Washington
County of Gloucester
Sewell, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Washington, County of Gloucester, 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 audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Washington, County of Gloucester, State of New Jersey, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of Washington's basic financial statements. The capital projects fund statement of project expenditures, long-term debt schedule of serial bonds payable, and long-term debt schedule of obligations under capital leases, as listed in the table of contents, is for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying capital projects fund statement of project expenditures, long-term debt schedule of serial bonds payable, and long-term debt schedule of obligations under capital leases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the capital projects fund statement of project expenditures, long-term debt schedule of serial bonds payable, and long-term debt schedule of obligations under capital leases is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2019 on our consideration of the Fire District No. 1 of the Township of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 1 of the Township of Washington's internal control over financial reporting and compliance.

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 22, 2019
Toms River, New Jersey

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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 of the Township of Washington
County of Gloucester
Sewell, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Fire District No. 1 of the Township of Washington, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the Township of Washington's basic financial statements, and have issued our report thereon dated August 22, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying general comments and recommendations as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of Washington'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as finding number 2018-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 1 of the Township of Washington's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 1 of the Township of Washington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 22, 2019
Toms River, New Jersey

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

As management of Fire District No. 1 of the Township of Washington, we offer readers of the Fire District No. 1 of the Township of Washington's financial statements this narrative overview and analysis of the financial activities of the Fire District No. 1 of the Township of Washington for the year ended December 31, 2018. The intent of this narrative is to look at Fire District No. 1 of the Township of Washington's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 23.

FINANCIAL HIGHLIGHTS

Management believes the District's financial position to be strong. The District is well within its stringent financial policies and guidelines as set forth by the Fire District members. Some specific items of note include the following:

- The liabilities of the District exceeded its assets at December 31, 2018 by approximately $9.89 million. In 2017 the excess of liabilities over assets was approximately $3.97 million. This is an increase of approximately $5.92 million. $5.75 million of this increase is attributable to prior period adjustments (see below.)

- At the close of the current year, the District's governmental funds reported combined ending fund balances of approximately $6.47 million, an increase of approximately $220,300, or approximately 3 percent (3%), in comparison with the prior year.

- During 2018 the District operated at a deficit of approximately $161,700. In 2017 the district operated at a deficit of approximately $252,600. This is an improvement of approximately $91,000.

- The District increased their liabilities by approximately $6.01 million in 2018 and increased their total assets by approximately $97,400.

- During the current year, the Fire District reduced its obligations for debt services by $270,000 for outstanding general obligation bonds. The District also reduced its obligations for debt services by $533,269 for outstanding capital leases payable.

- As described in Note 18 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions – an amendment of GASB Statement No. 45, 57, & 74* for the year ended December 31, 2018. The adoption of this principle resulted in a restatement of the District's Governmental Activities net position opening fund balance as of January 1, 2018 in the amount of $5,949,970.

- As described in Note 18 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", net position as of January 1, 2018, has been restated for the correction of the understatement of capital assets in the amount of $196,486.

USING THIS ANNUAL REPORT

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

Reporting on the District as a Whole

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

The Statement of Net Position presents information on all the assets and liabilities of Fire District No. 1 of the Township of Washington. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Fire District No. 1 of the Township of Washington has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Fire District No. 1 of the Township of Washington provides firefighting services to the citizens of Washington Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Fire District No. 1 of the Township of Washington uses fund accounting to document compliance with finance-related legal matters. Fire District No. 1 of the Township of Washington has two types of funds, which are the governmental fund and fiduciary funds.

Governmental Funds

Fire District No. 1 of the Township of Washington'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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Fire District No. 1 of the Township of Washington maintains three separate government funds, the General Fund, Capital Projects Fund and the Debt Service Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital fund.

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

As required by N.J.S.A. 40A:14:78-3, Fire District No. 1 of the Township of Washington 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.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. The District has one fiduciary fund, which is the Unemployment Compensation which is used for the payment of unemployment claims.

Notes to Financial Statements

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

DISTRICT-WIDE FINANCIAL ANALYSIS

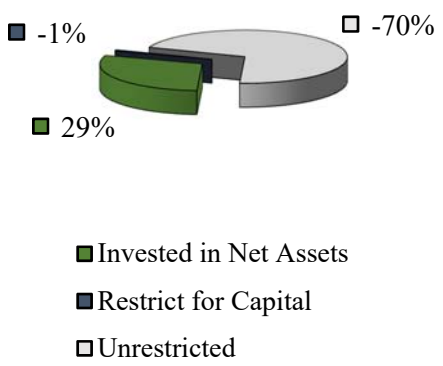
Fire District No. 1 of the Township of Washington's net position is a useful indicator of the District's financial condition. At the end of 2018, the District's liabilities exceeded its assets by approximately $9.89 million. The largest portion of Fire District No. 1 of the Township of Washington's net 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. Fire District No. 1 of the Township of Washington's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Position

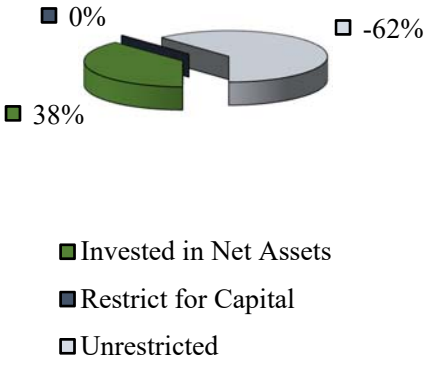
FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
NET POSITION
DECEMBER 31, 2018

	2018	2017	$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	$ 9,307,094	$ 9,127,454	179,640	2.0%
Capital assets	10,410,700	10,492,957	(82,257)	(0.8%)
Total assets	19,717,794	19,620,411	97,383	0.5%
Total liabilities	(29,603,838)	(23,591,281)	6,012,557	25.5%
Net position	$ (9,886,044)	$ (3,970,870)	5,915,174	149.0%
Analysis of net position:				
Invested in capital assets, net of related debt	$ 7,077,102	$ 6,356,063	721,039	11.3%
Restricted for:				
Capital projects	(122,921)	19,079	(142,000)	(744.3%)
Unrestricted	(16,840,225)	(10,346,012)	6,494,213	62.8%
Total net position	$ (9,886,044)	$ (3,970,870)	5,915,174	149.0%

2018 Net Position



2017 Net Position



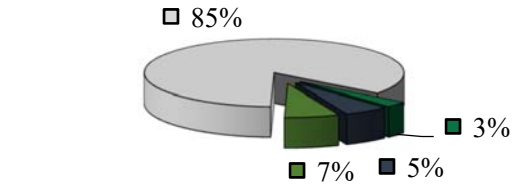
The net position of Fire District No. 1 of the Township of Washington decreased approximately $161,700 as a result of the current year deficit. The District added approximately $1.29 million of capital assets during the year. In 2018 the capital assets decreased by approximately $82,300 after depreciation expense and current year disposals.

Governmental Activities

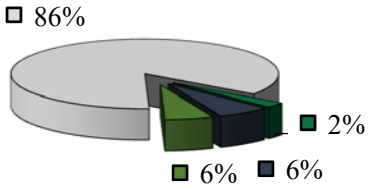
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	2018	2017	$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	$ 440,826	$ 387,444	53,382	13.8%
Cost of operations and maintenance	5,497,865	5,649,943	(152,078)	(2.7%)
Operating appropriations offset with revenues	173,993	159,234	14,759	9.3%
Length of service award contribution	358,945	416,446	(57,501)	(13.8%)
Total program expenses	6,471,629	6,613,067	(141,438)	(2.1%)

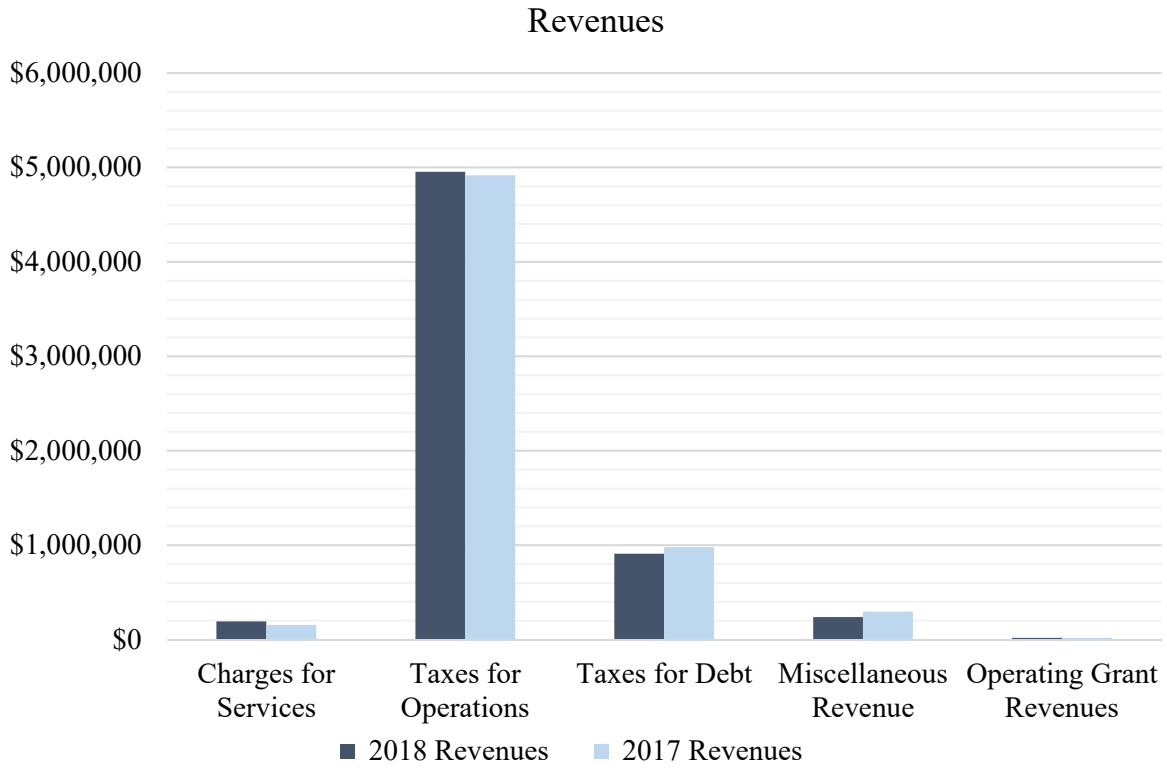
2018 Program Expenses



2017 Program Expenses



	2018	2017	$ Increase (Decrease)	% Increase (Decrease)
Revenues				
Program revenues				
Charges for services	192,066	155,176	36,890	23.8%
Total program revenues	192,066	155,176	36,890	23.8%
Net program expenses	6,279,563	6,457,891	(178,328)	(2.8%)
General revenues				
Property taxes levied for:				
General purposes	4,953,532	4,915,548	37,984	0.8%
Debt service	908,861	977,687	(68,826)	(7.0%)
Total property taxes levied	5,862,393	5,893,235	(30,842)	(0.5%
Other revenue	238,061	295,590	(57,529)	(19.5%)
Operating grant revenue	17,419	16,419	1,000	6.1%
Total general revenues	6,117,873	6,205,244	(87,371)	(1.4%)
Increase (decrease) in net position	(161,690)	(252,647)	90,957	36.0%
Net position, January 1, unadjusted	(3,970,870)	(1,258,443)	2,712,427	215.5%
Prior period adjustment	(5,753,484)	(2,459,780)	3,293,704	133.9%
Net position, January 1, restated	(9,724,354)	(3,718,223)	6,006,131	161.5%
Net position, December 31	$ (9,886,044)	$ (3,970,870)	5,915,174	149.0%



Property tax revenue constituted 93% of the total governmental activities revenues received by Fire District No. 1 of the Township of Washington in 2018. In 2017 the property tax revenue constituted 93% of total revenues.

The Cost of Operations & Maintenance was 85% and 85% of the District's total expenses in 2018 and 2017, respectively. Administration expenses equaled 7% and 6% of the total expenses in 2018 and 2017, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

Governmental Funds

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 funds of Fire District No. 1 of the Township of Washington was approximately $2.34 million. This balance is approximately $387,900 lower than last year's combined governmental cash funds. The decrease is due primarily to capital expenditures made and appropriated in the capital projects fund.

The combined balance of the governmental funds of Fire District No. 1 of the Township of Washington was approximately $6.47 million. Unreserved fund balance amounted to approximately $1.10 million of that total. Reserved fund balance of $650,000 has been designated for subsequent year's expenditures.

The general fund is the main operating fund of Fire District No. 1 of the Township of Washington. At the end of 2018, the total fund balance of the general fund was approximately $6.59 million. Of this balance, approximately $1.10 million of it was unreserved.

During 2018 the general fund balance of Fire District No. 1 of the Township of Washington increased by approximately $362,300. The primary reasons for this increase is as follows:

- The Board had revenues in excess of expenditures of approximately $362,300

At the end of 2018, the District had a capital projects fund balance of approximately ($122,900).

General Fund Budgetary Highlights

The 2018 Budget had a surplus in revenues and did not require the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

The District had total actual revenues in excess of total budgeted revenues of approximately $43,800 in 2018. The Board anticipates in 2019 that actual revenues will exceed the budgeted revenues.

Overall, the District spent approximately $215,300 less than originally anticipated in the operating budget for 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018 Fire District No. 1 of the Township of Washington had invested in capital assets for government activities of approximately $10,410,700 (net of accumulated depreciation). Capital assets consist of land, apparatus in progress, firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately $1.29 million of apparatus and equipment in 2018.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2018

	2017	2016	$ Increase (Decrease)
Capital assets			
Land	$ 658,015	$ 590,015	68,000
Apparatus in progress	315,000	916,952	(601,952)
Buildings and improvements	11,656,232	11,580,052	76,180
Furniture and equipment	4,072,896	3,779,047	293,849
Vehicles and apparatus	6,335,020	5,801,756	533,264
Total capital assets	23,037,163	22,667,822	369,341
Accumulated depreciation	(12,626,463)	(12,174,865)	(451,598)
Total capital assets, net	$ 10,410,700	$ 10,492,957	(82,257)

Additional information on Fire District No. 1 of the Township of Washington's capital assets can be found in Note 6 in the notes to the financial statements.

LONG-TERM OBLIGATIONS

As of December 31, 2018 the Fire District No. 1 of the Township of Washington had serial bonds payable outstanding in the amount of approximately $990,000, of which $320,000 is due within one year.

Additionally, as of December 31, 2018 the Fire District No. 1 of the Township of Washington had capital leases outstanding in the amount of approximately $2.34 million, of which approximately $615,100 is due within one year. The District does not anticipate additional debt for 2019.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2018, Fire District No. 1 of the Township of Washington was able to cover all its appropriations through the fire tax levy and other revenues. In 2018 the fire tax levy amounted to 93% of total revenue collected.

Fire District No. 1 of the Township of Washington adopted their 2019 budget on January 10, 2019. The voters subsequently voted to approve the budget at the February election.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 1 of the Township of Washington's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Fire District No. 1 of the Township of Washington, P.O. Box 653, Turnersville, New Jersey 08012.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Statement of Net Position
December 31, 2018

	Governmental Activities
Assets:	
Current assets:	
Cash and cash equivalents (Note 3)	$ 2,343,200
Prepaid insurance	4,311
Due from others (Note 5)	55,542
Other receivables	13,248
Total current assets	2,416,301
Noncurrent asset:	
Investment in length of service awards program (Note 4)	4,845,470
Total noncurrent assets	4,845,470
Capital assets, net:	
Nondepreciable (Note 6)	973,015
Depreciable (Note 6)	9,437,685
Total capital assets	10,410,700
Total assets	17,672,471
Deferred outflows of resources:	
Deferred outflows related to other postemployment benefits (Note 8)	1,999
Deferred outflows related to pensions (Note 9)	1,463,002
Deferred outflows related investment in length of service awards program (Note 10)	580,322
Total deferred outflow of resources	2,045,323
Total assets and deferred outflow of resources	$ 19,717,794
Liabilities:	
Current liabilities:	
Accounts payable	$ 171,577
Accrued expenses	31,723
Accrued interest payable	44,787
Compensated absences, current portion (Note 7)	119,613
Unamortized bond premium, net, current portion (Note 7)	1,992
Capital lease payable (Note 7)	615,086
Bonds payable (Note 7)	320,000
Pensions payable	415,504
Total current liabilities	1,720,282
Noncurrent liabilities:	
Capital leases payable (Note 7)	1,728,512
Bonds payable (Note 7)	670,000
Compensated absences (Note 7)	358,839
Net other postemployment benefits (Note 8)	3,781,922
Net pension liability (Note 9)	7,072,875
Net length of service awards program liability (Note 10)	9,888,597
Total noncurrent liabilities	23,500,745
Total liabilities	25,221,027
Deferred inflows of resources:	
Deferred inflows related to other postemployment benefits (Note 8)	2,142,044
Deferred inflows related to pensions (Note 9)	2,238,744
Bond and loan premium, net of accumulated amortization (Note 7)	2,023
Total deferred inflow of resources	4,382,811
Total liabilities and deferred inflow of resources	29,603,838
Net position:	
Investments in capital assets, net of related debt	7,077,102
Restricted for:	
Capital	(122,921)
Unrestricted (Note 17)	(16,840,225)
Total net position	(9,886,044)
Total liabilities, deferred inflow of resources and net position	$ 19,717,794

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Statement of Activities
For the year ended December 31, 2018

			Governmental Activities
	Expenses	**Charges for Services**	**Totals**
Government activities:			
Operation appropriations:			
Administration	$ 440,826	$ -	$ 440,826
Costs of operations and maintenance	5,497,865	192,066	5,305,799
Operating appropriations offset with revenues	173,993	-	173,993
Length of service award contribution	358,945	-	358,945
Total government activities	6,471,629	192,066	6,279,563
General revenues:			
Miscellaneous revenue			238,061
Operating grant revenues			17,419
Amount raised by taxation			5,862,393
Total general revenues			6,117,873
Change in net position			(161,690)
Net position, January 1, unadjusted			(3,970,870)
Prior period adjustment (Note 18)			(5,753,484)
Net position, January 1, restated			(9,724,354)
Net position, December 31			$ (9,886,044)

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Governmental Funds
Balance Sheet
December 31, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Current assets:				
Cash and cash equivalents	$ 1,878,367	$ 464,833	$ -	$ 2,343,200
Due from others	55,542	-	-	55,542
Other receivables	136,169	-	-	136,169
Total current assets	2,070,078	464,833	-	2,534,911
Noncurrent assets:				
Investment in length of service awards program	4,845,470	-	-	4,845,470
Total noncurrent assets	4,845,470	-	-	4,845,470
Total assets	$ 6,915,548	$ 464,833	$ -	$ 7,380,381
Liabilities, equity and other credits:				
Accounts payable	$ 171,577	$ -	$ -	$ 171,577
Accrued expenses	151,336	-	-	151,336
Other payables	-	122,921	-	122,921
Unearned revenue	-	464,833	-	464,833
Total liabilities	322,913	587,754	-	910,667
Fund balances:				
Restricted for:				
Capital	-	(122,921)	-	(122,921)
Length of service awards program	4,845,470	-	-	4,845,470
Assigned for:				
Subsequent year's expenditures	650,000	-	-	650,000
Unassigned, reported in:				
General fund	1,097,165	-	-	1,097,165
Total fund balance	6,592,635	(122,921)	-	6,469,714
Total liabilities and fund balance	$ 6,915,548	$ 464,833	$ -	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:				
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.				4,311
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $23,037,163 and the accumulated depreciation is $12,626,463				10,410,700
Accrued interest payable and PERS and PFRS pension payable are not recorded in the fund financial statements due to the fact that payable is not due in the period.				(460,291)
Bond premiums are reported in the governmental funds as revenue in the year the bonds are issued. The bond premium cost is $54,659 and the accumulated amortization is $50,644				(4,015)
Deferred outflows and inflows of resources related to pensions, net other post employment benefits liability, net length of service awards program liability and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.				(2,335,465)
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.				(23,970,998)
Net position of governmental activities				$ (9,886,044)

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	$ 17,714	$ -	$ -	$ 17,714
Investment income - length of service awards program	140,732	-	-	140,732
Other revenue	220,347	-	-	220,347
Total miscellaneous revenues	378,793	-	-	378,793
Operating grant revenues:				
FEMA - disaster relief	1,000	-	-	1,000
Supplemental fire service act	16,419	-	-	16,419
Total operating grant revenue	17,419	-	-	17,419
Miscellaneous revenues offset with appropriations:				
Uniform Fire Safety Act revenues:				
Annual registration fee	174,072	-	-	174,072
Penalties and fines	17,874	-	-	17,874
Other revenues	120	-	-	120
Total Uniform Fire Safety Act revenues	192,066	-	-	192,066
Total miscellaneous revenues offset with appropriations	192,066	-	-	192,066
Total revenues	588,278	-	-	588,278
Amount raised by taxation to support the district budget	4,953,532	-	908,861	5,862,393
Total anticipated revenues	5,541,810	-	908,861	6,450,671
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	171,967	-	-	171,967
Fringe benefits	96,899	-	-	96,899
Other expenditures:				
Professional fees	108,089	-	-	108,089
Elections	2,540	-	-	2,540
Insurance	7,390	-	-	7,390
Membership dues/software/subscriptions	31,018	-	-	31,018
Office supplies	7,068	-	-	7,068
Total administration	424,971	-	-	424,971

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Cost of operations and maintenance:				
Salaries and wages	1,758,590	-	-	1,758,590
Fringe benefits	1,280,789	-	-	1,280,789
Other expenditures:				
Insurance	95,832	-	-	95,832
Advertising	7,252	-	-	7,252
Professional services	83,961	-	-	83,961
Rental charges	110,257	-	-	110,257
Supplies	33,666	-	-	33,666
Training and education	109,445	-	-	109,445
Uniforms	120,421	-	-	120,421
Utilities	252,020	-	-	252,020
Other rentals	69,816	-	-	69,816
SFSG expenses	13,706	-	-	13,706
Contingencies	500	-	-	500
Maintenance and repairs	411,433	-	-	411,433
Other non-bondable assets	55,910	-	-	55,910
Total cost of operations and maintenance	4,403,598	-	-	4,403,598
Operating appropriations offset with revenues:				
Salaries and wages	117,361	-	-	117,361
Fringe benefits	54,659	-	-	54,659
Other expenditures	401	-	-	401
Total operating appropriations offset with revenues	172,421	-	-	172,421
Length of service awards program:				
Administrative fees	6,780	-	-	6,780
Group life insurance premium	11,236	-	-	11,236
Participant withdrawals	160,540	-	-	160,540
Total length of service awards program	178,556	-	-	178,556
Capital appropriations	-	457,000	-	457,000
Debt service for capital appropriations:				
Bond principal	-	-	270,000	270,000
Interest on bonds	-	-	59,650	59,650
Capital leases	-	-	533,296	533,296
Interest on capital leases	-	-	45,915	45,915
Total debt service for capital appropriations	-	-	908,861	908,861
Total operating appropriations	5,000,990	-	-	5,000,990
Total governmental expenditures	5,179,546	457,000	908,861	6,545,407
Other financing sources and uses:				
Proceeds from capital lease	-	315,000	-	315,000
Total other financing sources and uses	-	315,000	-	315,000
Excess of revenues over expenditures	362,264	(142,000)	-	220,264
Fund balance, January 1	6,230,371	19,079	-	6,249,450
Fund balance, December 31	$ 6,592,635	$ (122,921)	$ -	$ 6,469,714

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2018

Total net changes in Fund Balance-Governmental Funds (B-2)		$ 220,264
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlays - General Fund	301,833	
Capital Outlays - Capital Projects Fund	457,000	
Capital Asset Adjustment	(149,916)	
Depreciation expense	(887,660)	
		(278,743)
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.		
Prior year	(4,311)	
Current year	4,311	
		-
Length of service awards program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.		
Length of service awards program expense	(138,326)	
District contribution to length of service awards program	(358,945)	
Appreciation in fair value of investments	(140,732)	
Administrative fees	6,780	
Group life insurance premiums	11,236	
Participant withdrawals	160,540	
		(459,447)
Bond premiums are reported in the governmental funds as revenue in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.		2,615
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		270,000
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		533,296
Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.		
Prior year	57,593	
Current year	(44,787)	
		12,806

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2018

The proceeds from the issuance of capital leases provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position.		(315,000)
District other postemployment benefit contributions are reported as expenditures in the govermental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net other postemployment benefit liability is measured a year before the District's report date. Other post employment expense, which is the change in the net other postemployment benefit liability adjusted for changes in deferred outflows and inflows of resources related to other postemployment benefits is reported in the Statement of Activities.		
Other postemployment benefit credit	28,003	
		28,003
District pension contributions are reported as expenditures in the govermental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension expense	(106,476)	
		(106,476)
In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in sick leave paid was $69,008		(69,008)
Changes in net position of governmental activities		$ (161,690)

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

EXHIBIT B-3

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Fiduciary Funds
Statement of Net Position
December 31, 2018

	Unemployment Compensation	Total
Assets:		
Cash	$ 16,567	$ 16,567
Total assets	$ 16,567	$ 16,567
Liabilities:		
Other payables	$ 13,248	$ 13,248
Total liabilities	13,248	13,248
Net position:		
Reserved:		
Unemployment claims	3,319	3,319
Total net position	3,319	3,319
Total liabilities and net position	$ 16,567	$ 16,567

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

EXHIBIT B-4

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Fiduciary Funds
Statement of Changes in Net Position
For the year ended December 31, 2018

	Unemployment Compensation	Total
Revenues and other financing sources:		
District contributions	$ -	$ -
Total contributions	-	-
Investment earnings:		
Interest	125	125
Total investment earnings	125	125
Total revenues and other financing sources	125	125
Expenditures:		
Unemployment claims	343	343
Total expenditures	343	343
Excess of revenues and other financing sources over expenditures	(218)	(218)
Net position, January 1	3,537	3,537
Net position, December 31	$ 3,319	$ 3,319

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements
For the year ended December 31, 2018

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of Washington is a political subdivision of the Township of Washington, County of Gloucester, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the first Thursday of March.

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

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

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

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

B. District Officials

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

Officials	Term Expires March
Edwin Etschman	2021
Robert Matteo	2019
William Robertson	2019
Frank Stella	2020
David Vicente	2020

C. Accounting Records

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

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Fund Accounting

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

Governmental Funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

Fiduciary Funds:

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Fire District on behalf of outside parties, including other governments, or on behalf of other funds within the Fire District.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

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

D. Basis of Accounting

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

In its accounting and financial reporting, the Fire District No. 1 of the Township of Washington follows the pronouncements of the Governmental Accounting Standards Board (GASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 1 of the Township of Washington's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

E. Budgets and Budgetary Accounting

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

The fire commissioners must introduce and adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the fire district. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

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

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

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

F. Encumbrances

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The District did not have any encumbrances at December 31, 2018.

G. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents (continued)

Fire districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

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

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If 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.

H. Prepaid Expenses

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

I. Debt Limitation

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

J. Capital Assets

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of $1,000.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets (continued)

Depreciation is recorded on the straight-line method (with no deprecation applied to the first year of acquisition) over the useful lives of the assets as follows:

Land Improvements	40 Years
Building and Improvements	5 to 30 Years
Furniture and Equipment	5 to 15 Years
Vehicles and Apparatus	5 to 25 Years

K. Inventory, Materials and Supplies

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

L. Interfund Receivable/Payable

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

M. Compensated Absences

Fire District employees are entitled to vacation and sick leave. Unused vacation may be accumulated with a 90 hours threshold for firemen and a 10 day threshold for administrative staff. Unused sick time will be paid upon retirement to any employee with a minimum of ten years at a rate of thirty percent of their accrued sick time. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

N. Revenues and Expenditures

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

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

O. Fire District Taxes

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Washington classifies governmental fund balances as follows:

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

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

Q. Net Position

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

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

R. Use of Estimates

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

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

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

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Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement does not have a material impact on the District's financial statements.

Recently Issued Accounting Pronouncements

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issued Accounting Principles (continued)

Recently Issued Accounting Pronouncements (continued)

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

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

T. Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2018, unrealized gains and losses for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, have not been reflected in the financial statements.

U. Fair Value Measurement

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

Level II – 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Fair Value Measurement (continued)

Level III – 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 re-measure 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 following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end.

Fixed Account Investment Contract: Valued at the contract's market value as reported by the insurance company.

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.

The table in Note 4 sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2018.

V. Subsequent Events

Fire District No. 1 of the Township of Washington has evaluated subsequent events occurring after December 31, 2018 through the date of August 22, 2019, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

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

Deposits:	
Demand Deposits	$ 2,359,767
Total Deposits	$ 2,359,767
Reconciliation to Governmental Fund Statements:	
Governmental Funds	$ 2,343,200
Fiduciary Funds	16,567
Total	$ 2,359,767

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, the District's bank balance of $2,419,997 was insured or collateralized as follows:

Insured	$ 983,021
Collaterized not in the District's name (New Jersey Cash Management Fund)	270,918
Collaterized in the District's name under GUDPA	1,166,058
Total	$ 2,419,997

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fire District, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fire value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2018, are provided in the below schedule.

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

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

	Assets at Fair Value as of December 31, 2018			
	Level I	*Level II*	*Level III*	*Total*
Length of service award program:				
Fixed account investment contract	$ -	$ -	$ 4,845,470	$ 4,845,470
Total LOSAP at fair value	$ -	$ -	$ 4,845,470	$ 4,845,470

Level III Gains and Losses

The following table sets forth a summary of changes in the fair value of the length of service ward program's Level III assets for the year ended December 31, 2018:

	Level III Assets Year Ended December 31, 2018
Balance, beginning of year	$ 4,524,348
Purchases, sales, issuances and settlements (net)	499,678
Gains & (Losses)	(178,556)
Balance, end of year	$ 4,845,470

NOTE 5: DUE FROM OTHERS

As of December 31, 2018, accounts receivables consisted of the following:

Inspira fee receivables	$ 33,595
Interlocal agreement receivable	21,947
Total	$ 55,542

NOTE 6: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the fire districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to $60,000 or two percent of the assessed valuation of property, whichever is larger. As of January 1, 2018 the District recorded a prior period adjustment to capital assets, see note 18 for additional information.

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	$ 590,015	$ 68,000	$ -	$ 658,015
Apparatus in progress	916,952	315,000	(916,952)	315,000
Total capital assets that are not being depreciated	1,506,967	$ 383,000	(916,952)	973,015
Capital assets being depreciated:				
Building and improvements	11,580,052	76,180	-	11,656,232
Furniture and equipment	3,779,047	293,849	-	4,072,896
Vehicle and apparatus	5,847,264	922,756	(435,000)	6,335,020
Total capital assets being depreciated	21,206,363	1,292,785	(435,000)	22,064,148
Less: accumulated depreciation:				
Building and improvements	(5,754,213)	(367,578)	-	(6,121,791)
Furniture and equipment	(3,009,557)	(168,703)	-	(3,178,260)
Vehicle and apparatus	(3,410,033)	(351,379)	435,000	(3,326,412)
Total accumulated depreciation	(12,173,803)	(887,660)	435,000	(12,626,463)
Total capital assets being depreciated net of accumulated depreciation	9,032,560	405,125	-	9,437,685
Total capital assets	$ 10,539,527	$ 788,125	$ (916,952)	$ 10,410,700

NOTE 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2018, the following changes occurred in long-term obligations:

	Balance 12/31/17	Accrued/ increases	(Retired)/ (decreases)	Balance 12/31/18	Due within One Year
Governmental activities:					
General serial bonds	$ 1,260,000	$ -	$ (270,000)	$ 990,000	$ 320,000
Unamortized bond premium	6,630	-	(2,615)	4,015	1,992
Obligations under capital lease	2,876,894	-	(533,296)	2,343,598	615,086
Net pension liability	7,400,831	-	(327,956)	7,072,875	-
Net other postemployment benefit liability	5,254,003	-	(1,472,081)	3,781,922	-
Net length of service awards program liability	9,113,544	775,053	-	9,888,597	-
Compensated absences	386,441	92,011	-	478,452	119,613
Total	$26,298,343	$ 867,064	$(2,605,948)	$24,559,459	$1,056,691

A. Bonds Payable

Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Fire District are general obligation bonds.

On August 3, 2006, the Fire District issued $2,500,000 general obligation bonds at interest rates varying from 4% to 5% for various construction and renovation projects. The final maturity of these bonds is August 1, 2021. The bonds will be paid from property tax revenue.

Principal and interest due on bonds outstanding is as follows:

For the year ended December 31,	Principal	Interest	Total
2019	$ 320,000	$ 46,150	$ 366,150
2020	330,000	30,150	360,150
2021	340,000	15,300	355,300
Total	$ 990,000	$ 91,600	$ 1,081,600

NOTE 7: LONG-TERM OBLIGATIONS (continued)

B. Capital Leases Payable

The Fire District is leasing fire trucks totaling $3,340,898 under capital leases. All capital leases are for a term of three to seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2018.

For the year ended December 31,	Principal	Interest	Total
2019	$ 615,086	$ 45,595	$ 660,681
2020	443,436	30,867	474,303
2021	310,111	20,500	330,611
2022	208,435	13,040	221,475
2023	213,003	7,957	220,960
2024-2028	553,527	48,391	601,918
Total	$ 2,343,598	$ 166,350	$ 2,509,948

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

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

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

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

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

Basis of Presentation

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

Allocation Methodology

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

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2018 and 2017 is as follows:

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

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

OPEB Obligation and OPEB Expense

The District's proportionate share of the total Other Post-Employment Benefits Obligations was $3,781,922.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the District was based on projection of the State's long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating employers, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the District was 0.02414000%, which was a decrease of 0.00159600% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of $86,601 for the State's proportionate share of the OPEB expense attributable to the District. This OPEB expense was based on the OPEB plans June 30, 2017 measurement date.

Health Care Trend Assumptions

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

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in Discount Rate:

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

Sensitivity of Net OPEB Liability to Changes in Discount Rate:

	June 30,2018		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
State of New Jersey's proportionate share of total OPEB obligations associated with the District	$ 4,842,788	$ 3,871,922	$ 3,336,052
State of New Jersey's total Net OPEB Liability	$18,381,085,096	$15,666,618,141	$13,498,373,388

The following presents the net OPEB liability as of June 30, 2018 and 2017, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1% Decrease	Health Care Trend Rate	1% Increase
State of New Jersey's proportionate share of total OPEB obligations associated with the District	$ 3,229,804	$ 3,871,922	$ 4,702,918
State of New Jersey's total Net OPEB Liability	$13,068,471,450	$15,666,618,141	$19,029,006,023

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Additional Information

Balances at December 31, 2018 and December 31, 2017

	12/31/2018	12/30/2017
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	$ 1,999	$ 900
Deferred Inflows of Resources	2,142,044	696,867
Net OPEB Liability	3,781,922	5,254,003
District's portion of the Plan's total Net OPEB Liability	0.02414%	0.02574%

OPEB Expense and Deferred Outflows/Inflows of Resources

At December 31, 2018, the District's proportionate share of the OPEB expense, calculated by the plan as of the June 30, 2018 measurement date is $86,601. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience on OPEB Plan Investments	$ -	$ 767,865
Change in proportions	-	414,845
Change in assumptions	-	959,334
Net differences between expected and actual earnings on OPEB Plan Investments	1,999	-
	$ 1,999	$ 2,142,044

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources (continued)

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

Fiscal year ending December 31,	
2019	$ (319,043)
2020	(319,043)
2021	(319,043)
2022	(319,268)
2023	(319,599)
Thereafter	(544,049)
	$ (2,140,045)

Changes in Proportions

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

Plan Membership

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

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

Change in Total OPEB Liability

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

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

NOTE 9: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

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

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the District's contractually required contribution to PERS plan was $23,858.

Components of Net Pension Liability – At December 31, 2018, the District's proportionate share of the PERS net pension liability was $472,266. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The District's proportion measured as of June 30, 2018, was 0.0023985700% which was an increase of 0.0000415795% from its proportion measured as of June 30, 2017.

Balances at December 31, 2018 and December 31, 2017

	12/31/2018	12/30/2017
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	$ 107,890	$ 146,462
Deferred Inflows of Resources	219,286	204,778
Net Pension Liability	472,266	548,670
Fire District No. 1 of the Township of Washington's portion of the Plan's total Net Pension Liability	0.00240%	0.00236%

NOTE 9: PENSION OBLIGATIONS (continued)

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

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2018, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is $535. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 9,006	$ 2,435
Changes of Assumptions	77,822	151,006
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	4,430
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington's contributions and Proportion Share of Contributions	21,062	61,415
	$ 107,890	$ 219,286

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

Year Ending December 31,	Amount
2019	$ (29,745)
2020	(17,559)
2021	(24,328)
2022	(32,443)
2023	(7,321)
	$ (111,396)

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

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

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

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

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

	1 % Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Fire District No. 1 of the Township of Washington's Proportionate Share of the Net Pension Liability	$ 593,821	$ 472,266	$ 370,290

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

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

The following represents the membership tiers for PFRS:

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

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

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

Contributions – The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2018, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the District's contractually required contributions to PFRS plan was $476,887.

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Net Pension Liability and Pension Expense – At December 31, 2018 the District's proportionate share of the PFRS net pension liability was $6,600,609. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The District's proportion measured as of June 30, 2017, was 0.0487790417%, which was an increase of 0.0043942047% from its proportion measured as of June 30, 2017.

Balances at December 31, 2018 and December 31, 2017

	12/31/2018	12/31/2017
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	$ 1,355,112	$ 1,252,732
Deferred Inflows of Resources	2,019,458	1,535,726
Net Pension Liability	6,600,609	6,852,161
Fire District No. 1 of the Township of Washington's portion of the Plan's total Net Pension Liability	0.04878%	0.04438%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2018, the District's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2018 measurement date is $606,680.

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 67,153	$ 27,315
Changes of Assumptions	566,573	1,691,622
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	36,111
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington's Contributions and Proportion Share of Contributions	721,386	264,410
	$ 1,355,112	$ 2,019,458

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Washington's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

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

Year Ending December 31,	Amount
2019	$ 233,123
2020	17,995
2021	(302,298)
2022	(510,196)
2022	(102,970)
	$ (664,346)

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

The State's proportionate share of the PFRS net pension liability attributable to the District is $896,584 as of December 31, 2018. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The State's proportion of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2017, was 0.0487790417%, which was an increase of 0.0043942047% from its proportion measured as of June 30, 2017, which is the same proportion as the District's.

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

At December 31, 2018, the District's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Fire District No. 1 of the Township of Washington's Proportionate Share of Net Pension Liability	$ 6,600,609
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the District	896,584
	$ 7,497,193

At December 31, 2018, the State's proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2018 measurement date was $106,199.

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

Inflation	2.25%
Salary Increases:	
Through 2026	2.10% – 8.98% Based on Age
Thereafter	3.10% – 9.98% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2010 - June 30, 2013

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2012 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA.

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2012 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

B. Police and Firemen's Retirement System (PFRS) (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.51%) or 1-percentage-point higher (7.51%) than the current rate:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Fire District No. 1 of the Township of Washington's Proportionate Share of the Net Pension Liability	$ 8,834,096	$ 6,600,609	$ 4,745,505
State of New Jersey's Proportionate Share of Net Pension Liability associated with the District	1,199,966	896,584	644,599
	$ 10,034,062	$ 7,497,193	$ 5,390,104

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description – The Fire District's Length of Service Awards Program (LOSAP) provides tax deferred income benefits to active volunteer firefighters. The plan is intended to comply with Section 457(e)(11)(A)(ii) of the Internal Service Code of 1986, as amended.

The assets of the plan are invested in a fixed-income Group Annuity Contract with MassMutual Life Insurance Company under which MassMutual pools funds invested for various Length of Service Awards Program customers along with funds in The MassMutual's general account. Interest income is provided at an average rate of return of approximately 3.5% for 2018 and there is a guaranteed minimum return of 3%.

Contributions – The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District. For the year ended December 31, 2018 the District's contractually required contribution to the plan was $348,945.

Basis of Presentation – The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of LOSAP to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Components of Net Pension Liability – At December 31, 2018, the District's net pension liability relating to the length of service awards program was $9,888,597. The net pension liability was measured as of March 31, 2019. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of April 1, 2018, which was rolled forward to December 31, 2018. The components of the net pension liability at December 31, 2018, were as follows:

Collective Balances at December 31, 2018

		12/31/18
Actuarial valuation date		April 1, 2018
Deferred outflows of resources	$	580,322
Deferred inflows of resources		-
Plan fiduciary liability		-
Net pension liability		9,888,597
Plan fiduciary net position as a percentage of the total pension liability		0.00%

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

The following table shows the Changes in the Net Pension Liability as follows:

	Increase (Decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (a) - (b)**
Balance at 4/1/18	$ 9,113,554	$ -	$ 9,113,554
Changes for the year:			
Service costs	188,189	-	188,189
Interest	308,576	-	308,576
Changes in benefit terms	-	-	-
Differences in expected and actual experience	117,783	-	117,783
Changes in assumptions	359,440		359,440
Benefit payments and expenses	(198,935)	-	(198,935)
Net changes	775,053	-	775,053
Balance at 12/31/18	$ 9,888,597	$ -	$ 9,888,597

Pension Expense – The pension expense, calculated by the plan as of the December 31, 2018 measurement date is $658,392 as follows:

Note	Description	Amount
A	Service cost	$ 188,189
B	Interest on the total pension liability	308,576
A	Changes of benefits terms	-
C	Differences between expected and actual experience	23,557
C	Changes of assumptions	138,070
	Total pension expense relating to LOSAP	$ 658,392

Notes:

A Provided in the Changes in Net Pension Liability exhibit

B Based on the following calculation:

Amount for period (a)	Portion of period (b)	Projected rate of return (c)	Projected Earnings (a) x (b) x (c)
$ 9,113,544	100%	3.42%	$ 311,683
188,189	0%	3.42%	-
(181,669)	100%	3.42%	(3,107)
			$ 308,576

C Provided in summary of deferred outflows and deferred inflows

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Deferred Outflows/Inflows of Resources – At December 31, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to the length of service awards program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 94,226	$ -
Changes of Assumptions	486,096	-
	$ 580,322	$ -

The District will amortize the above sources of deferred outflows and inflows related to the length of service awards program over the following number of years:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience		
Year of LOSAP plan deferral:		
December 31, 2018	4.00	-
Changes of assumptions		
Year of LOSAP plan deferral:		
December 31, 2018	4.00	-

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to the length of service awards program that will be recognized as pension expense in future periods:

Year Ended December 31,	Amount
2020	$ 161,627
2020	161,627
2022	161,625
2023	95,443
	$ 580,322

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of April 1, 2018 rolled forward to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary Increases:	Not Applicable
Investment Rate of Return	3.42% net of pension plan investment expense, including inflation
Mortality Rate Table	Pre-retirement: None Post-retirement: RP2000 with improvement
Retirement	First eligible
Turnover	T5
Disability	None

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the April 1, 2018 actuarial valuation report.

Discount Rate – The discount rate used to measure the total pension liability was 3.42% which is based on the 20-year AA general obligation bond rate as of March 31, 2019.

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate – The following presents the District's net pension liability calculated using the discount rate as disclosed above, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.61%) or 1-percentage-point higher (4.61%) than the current rate:

	1% Decrease (2.42%)	Current Discount Rate (3.42%)	1% Increase (4.42%)
Net Pension Liability - LOSAP	$ 10,590,181	$ 9,888,597	$ 9,171,429

NOTE 11: FUNDING

The activities of the Board of Commissioners are primarily funded by striking a fire tax rate on property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2018, the fire tax rate on Fire District No. 1 was $.139 per $100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of $16,419.

NOTE 12: RISK MANAGEMENT

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

A. Property and Liability Insurance

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

NOTE 13: RELATED PARTIES

The Fire District purchases fuel from the Township, which purchases it in large quantities from an outside vendor. Purchases made by the District from the Township in 2018 totaled $35,196. There were no unpaid balances due to the Township at December 31, 2018.

The Fire District rents fire hydrants owned by the Township's Municipal Utilities District and made payments to them during 2018 totaling $110,257 with no amounts due at year-end.

NOTE 14: INTERFUND RECEIVABLE/PAYABLE

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

Fund	Interfund receivable	Interfund payable
General	$ 136,169	$ -
Capital projects	-	122,921
Unemployment	-	13,248
Totals	$ 136,169	$ 136,169

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

As previously mentioned, these amounts are eliminated in the governmental columns of the Statement of Net Position.

NOTE 15: FUND BALANCES APPROPRIATED

The 2018 annual budget of the Fire District was adopted on January 8, 2017 and subsequently approved by the voters at the annual election. The budget utilized $360,000 of unreserved fund balance in the general fund.

The following presents the fund balance as of the end of the last five years and the amount utilized in the subsequent year's budget:

For the year ended December 31,	Balance at December 31,	Utilization in Subsequent Budget
2018	$ 1,747,165	$ 650,000
2017	1,706,023	360,000
2016	1,826,996	410,000
2015	1,756,602	356,000
2014	1,199,550	250,000

NOTE 16: FUND BALANCE

General Fund – Of the $6,592,635 General Fund fund balance at December 31, 2018, $4,845,470 is restricted for length of service award program, $650,000 has been assigned to be designated for subsequent year's expenditures and $1,097,165 is unassigned.

Capital Projects Fund – Of the $(122,921) Capital Projects Fund fund balance at December 31, 2018, the entire amount has been restricted for capital.

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

NOTE 17: DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of $(16,840,225) existed as of December 31, 2018 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension, long-term liability of other post retirement benefits and long-term liability for the LOSAP obligation. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities is not an indication that the District is facing financial difficulties or going concern issues.

NOTE 18: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74 In addition, net position as of January 1, 2018, has been restated as the for the correction of the understatement of capital assets in accordance with N.J.A.C 5:31-7.1.

	Governmental Activities
Net position as previously reported at December 31, 2017	$ (3,970,870)
Prior period adjustment - Adjustment of capital assets (net):	
Non-depreciable capital assets depreciable capital assets Governmental Fund	196,486
Implementation of GASB 75:	
Net other postemployment benefit liability (measurement date as of June 30, 2017)	(5,254,003)
Deferred inflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	(696,867)
Deferred outflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	900
Total prior period adjustment	(5,753,484)
Net position as restated January 1, 2018	$ (9,724,354)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Budgetary Comparison Schedule
For the year ended December 31, 2018

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	$ 1,000	$ 1,000	$ 17,714	$ 16,714
Other revenue	215,000	215,000	220,347	5,347
Total miscellaneous revenues	216,000	216,000	238,061	22,061
Operating grant revenues:				
Miscellaneous grant	-	-	1,000	1,000
Supplemental fire service act	16,419	16,419	16,419	-
Total operating grant revenue	16,419	16,419	17,419	1,000
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	158,313	158,313	174,072	15,759
Penalties and fines	4,000	4,000	17,874	13,874
Other revenues	9,000	9,000	120	(8,880)
Total uniform fire safety act revenues	171,313	171,313	192,066	20,753
Total miscellaneous revenues offset with appropriations	171,313	171,313	192,066	20,753
Total revenues	403,732	403,732	447,546	43,814
Amount raised by taxation to support district budget	5,862,393	5,862,393	5,862,393	-
Total anticipated revenues	6,266,125	6,266,125	6,309,939	43,814
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	169,844	169,844	171,967	(2,123)
Fringe benefits	61,273	61,273	96,899	(35,626)
Other expenditures:				
Professional fees	220,540	202,390	108,089	94,301
Elections	2,900	2,900	2,540	360
Insurance	27,717	27,717	7,390	20,327
Membership dues/software/subscriptions	29,816	29,106	31,018	(1,912)
Office supplies	19,500	19,500	7,068	12,432
Reimbursement for losses/expenses	2,000	2,000	-	2,000
Total administration	533,590	514,730	424,971	89,759

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Budgetary Comparison Schedule
For the year ended December 31, 2018

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Cost of operations and maintenance:				
Salaries and wages	1,743,527	1,743,527	1,758,590	(15,063)
Fringe benefits	1,341,220	1,333,920	1,280,789	53,131
Other expenditures:				
Insurance	72,064	75,564	95,832	(20,268)
Advertising	17,100	17,100	7,252	9,848
Professional services	69,895	17,780	83,961	(66,181)
Rental charges	110,258	110,258	110,257	1
Supplies	41,700	41,700	33,666	8,034
Training and education	166,790	166,890	109,445	57,445
Uniforms	148,500	138,405	120,421	17,984
Utilities	251,360	267,715	252,020	15,695
Other rentals	69,920	71,220	69,816	1,404
SFSG expenses	18,061	18,061	13,706	4,355
Contingencies	5,000	5,000	500	4,500
Maintenance and repairs	450,950	452,565	411,433	41,132
Other non-bondable assets	205,450	205,450	55,910	149,540
Total cost of operations and maintenance	4,711,795	4,665,155	4,403,598	261,557
Operating appropriations offset with revenues:				
Salaries and wages	117,057	117,057	117,361	(304)
Fringe benefits	37,446	37,446	54,659	(17,213)
Other expenditures	16,810	16,810	401	16,409
Total operating appropriations offset with revenues	171,313	171,313	172,421	(1,108)
Length of service awards program	300,000	365,500	358,945	6,555
Capital appropriations:				
Capital purchase of property	-	-	142,000	(142,000)
Assets acquired under capital lease	-	-	315,000	(315,000)
Total capital appropriations	-	-	457,000	(457,000)
Debt service for capital appropriations:				
Bond principal	270,000	270,000	270,000	-
Interest on bonds	59,650	59,650	59,650	-
Capital leases	533,862	533,862	533,296	566
Interest on capital leases	45,915	45,915	45,915	-
Total debt service for capital appropriations	909,427	909,427	908,861	566
Total operating appropriations	6,626,125	6,626,125	6,725,796	(99,671)
Other financing sources and uses:				
Proceeds from capital lease	-	-	315,000	315,000
Total other financing sources and uses:	-	-	315,000	315,000
Excess (efficiency) of revenues over (under) expenditures	(360,000)	(360,000)	(100,857)	259,143
Fund balance, January 1	1,725,101	1,725,101	1,725,101	-
Fund balance, December 31	$ 1,365,101	$ 1,365,101	$ 1,624,244	$ 259,143

RECAPITULATION OF FUND BALANCE

Restricted fund balance:	
Capital reserve	$ (122,921)
Assigned for:	
Subsequent year's expenditures	650,000
Unassigned fund balance	1,097,165
Total - budgetary basis	1,624,244
Reconciliation to governmental fund statements (GAAP):	
Length of service awards program investment balance not recognized on the budgetary basis	4,845,470
Total fund balance per governmental funds (GAAP)	$ 6,469,714

EXHIBIT C-1A

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2018

	Total Governmental Funds
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue" From the Budgetary Comparison Schedule (C-1)	$ 6,309,939
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	140,732
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	$ 6,450,671
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations" From the Budgetary Comparison Schedule (C-1)	$ 6,725,796
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards 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 awards program district contribution	(358,945)
Administrative fees	6,780
Group life insurance premiums	11,236
Participant withdrawals	160,540
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	$ 6,545,407

EXHIBIT L-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Last Six Fiscal Years *

	Measurement Date Ended June 30,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
District's Proportion of the Net Pension Liability	0.00240%	0.00236%	0.00252%	0.00242%	0.00235%	0.00325%
District's Proportionate Share of the Net Pension Liability	$ 472,266	$ 548,670	$ 747,572	$ 543,150	$ 440,823	$ 621,163
District's Covered-Employee Payroll	$ 168,444	$ 163,292	$ 158,059	$ 166,908	$ 163,332	$ 158,925
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	280.37%	336.01%	472.97%	325.42%	269.89%	390.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

EXHIBIT L-2

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of District Contributions
Public Employee's Retirement System
Last Six Fiscal Years *

	Year Ended December 31,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
District's Contractually Required Contribution	$ 23,858	$ 21,835	$ 22,424	$ 20,802	$ 19,410	$ 24,489
District's Contribution in Relation to the Contractually Required Contribution	(23,858)	(21,835)	(22,424)	(20,802)	(19,410)	(24,489)
District's Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 171,808	$ 168,444	$ 163,292	$ 158,059	$ 166,908	$ 163,332
District's Contributions as a Percentage of it's Covered-Employee Payroll	13.89%	12.96%	13.73%	13.16%	11.63%	14.99%

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

EXHIBIT L-3

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of the District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System
Last Six Fiscal Years *

	Measurement Date Ended June 30,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
District's Proportion of the Net Pension Liability	0.04878%	0.04438%	0.04646%	0.04559%	0.04307%	0.04550%
District's Proportionate Share of the Net Pension Liability	$ 6,600,609	$ 6,852,161	$ 8,875,137	$ 7,592,932	$ 5,148,227	$ 6,049,017
State's Proportionate Share of the Net Pension Liability associated with the District	896,584	767,500	745,291	665,875	583,452	563,842
Total	$ 7,497,193	$ 7,619,661	$ 9,620,428	$ 8,258,807	$ 5,731,679	$ 6,612,859
District's Covered-Employee Payroll	$ 1,519,259	$ 1,403,053	$ 1,392,286	$ 1,339,582	$ 1,360,926	$ 1,340,450
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	434.46%	488.38%	637.45%	566.81%	378.29%	451.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%

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

EXHIBIT L-4

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of District Contributions
Police and Firemen's Retirement System
Last Six Fiscal Years *

	Year Ended December 31,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
District's Contractually Required Contribution	$ 476,887	$ 392,814	$ 378,811	$ 370,541	$ 330,883	$ 331,969
District's Contribution in Relation to the Contractually Required Contribution	(476,887)	(392,814)	(378,811)	(370,541)	(330,883)	(331,969)
District's Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 1,609,189	$ 1,519,259	$ 1,403,053	$ 1,392,286	$ 1,339,582	$ 1,360,926
District's Contributions as a Percentage of it's Covered-Employee Payroll	29.64%	25.86%	27.00%	26.61%	24.70%	24.39%

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability
Last Three Fiscal Years *

	Measurement Date Ended June 30,		
	2018	2017	2016
District's Proportion of the Other Postemployment Benefit Liability (asset)	0.02414%	0.02574%	0.02633%
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset)	$ 3,781,922	$ 5,254,003	$ 5,718,860
District's Covered-employee Payroll	$ 1,519,259	$ 1,403,053	$ 1,392,286
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset) as a Percentage of its Covered-employeePpayroll	248.93%	374.47%	410.75%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefit Liability	1.97%	1.03%	0.69%

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

EXHIBIT L-6

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Changes in the Net Pension Liability and Related Ratios
Length of Service Awards Program (LOSAP)
Last Two Fiscal Years *

	2018	2017
Total pension liability:		
Service cost	$ 188,189	$ 176,914
Interest	308,576	303,202
Changes in benefit terms	-	-
Differences between expected and actual experience	117,783	-
Changes in assumptions	359,440	330,908
Payments for benefits and admin expenses	(198,935)	(176,229)
Net change in total pension liability	775,053	634,795
Total pension liability - beginning	9,113,544	8,478,749
Total pension liability - ending	$ 9,888,597	$ 9,113,544
Net pension liability - LOSAP	$ 9,888,597	$ 9,113,544
Plan fiduciay net position as a percentage of the total pension liability	0.00%	0.00%
District's covered payroll	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A
Expected average remaining service years for all participants	5	5

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

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

Police and Firemen's Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 6.14% as of June 30, 2017, to 6.51% as of June 30, 2018.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

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

Length of Service Awards Program (LOSAP)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.61% as of December 31, 2017 to 3.42% as of December 31, 2018.

EXHIBIT F-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Capital Projects Fund
Statement of Project Expenditures
For the year ended December 31, 2018

Project Title/Issue	Original Date	Appropriations	Expenditures to Date: Prior Years	Expenditures to Date: Current Year	Unexpended Balance December 31, 2018
Renovations to the Huffville Substation, install a training facility at a location to be determined, renovate a heavy rescue truck, extend the parking lot at the Fire Station on Fries Mill Road, acquire computer equipment and related software for fire apparatus, install additional security devices at the East Holly Station, and undertake roof repairs at the East Holly Station.	02/18/06	$ 2,500,000	$ 2,488,024	$ -	$ 11,976
Purchase of a fire apparatus.	09/13/13	920,000	912,897	-	7,103
Purchase of 131 Johnson Road, Turnersville, New Jersey	01/01/18	-	-	142,000	(142,000)
	Total	$ 3,420,000	$ 3,400,921	$ 142,000	$ (122,921)

EXHIBIT I-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Long-Term Debt
Schedule of Serial Bonds Payable
For the year ended December 31, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance January 1, 2018	Issued	Retired	Balance December 31, 2018
General Obligation Bonds, 2006	8/3/06	$ 2,500,000	8/1/19	320,000	5.000%	1,260,000	-	270,000	990,000
			8/1/20	330,000	4.500%				
			8/1/21	340,000	4.500%				
					Total	$ 1,260,000	$ -	$ 270,000	$ 990,000

EXHIBIT I-2

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the year ended December 31, 2018

Description	Date of Lease	Term of Lease	Amount of Original Issue Principal	Amount of Original Issue Interest	Interest Rate Payable	Amount Outstanding January 1, 2018	Issued	Retired	Amount Outstanding December 31, 2018
Fire Truck 1016 - Lease 2013	9/13/13	7 years	$ 920,000	$ 82,337	2.19%	$ 411,229	$ -	$ 133,987	$ 277,242
Fire Truck 1011 - Lease 2014	01/15/14	5 years	475,000	32,538	2.25%	196,363	-	96,901	99,462
Radios - Lease 2016	02/23/16	3 years	240,065	13,812	2.85%	162,281	-	80,001	82,280
Fire Truck 1031 - Lease 2016	05/15/16	5 years	507,000	36,140	2.34%	410,236	-	99,029	311,207
Fire Truck 1026 - Lease 2017	1/24/2017	7 years	916,952	74,427	1.99%	916,952	-	123,378	793,574
Fire Truck 1038 - Lease 2017	12/14/2017	10 years	779,833	114,004	2.55%	779,833	-	-	779,833
					Total	$ 2,876,894	$ -	$ 533,296	$ 2,343,598

HFA
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Board of Fire Commissioners
Fire District No. 1 of the Township of Washington
Sewell, New Jersey

We have audited the basic financial statements of the Fire District No. 1 of the Township of Washington, County of Gloucester, State of New Jersey for the year ended December 31, 2018. In accordance with requirements prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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

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

Disbursements were reviewed to determine whether any violations were noted.

Contracts and Agreements Requiring Solicitation of Quotations

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

Examination of Bills

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

Finding 2018-001:

It was noted during our audit of the District's Capital Projects Fund, that capital appropriations were overspent by $142,000. This was due to the District's purchase of land and structure in the amount of $142,000 that was not included in the 2018 capital budget. Additionally, it was noted that the District did not hold a special meeting to obtain voter approval for this purchase. As a result, the Capital Projects Fund resulted in a deficit of $122,921.

Recommendation:

Acquisitions of capital appropriations should be in accordance with N.J.S.A 40A:14-85.

Managements' Response:

Management is working towards a resolution of this finding during 2019 if available, otherwise this finding will be corrected in the adoption of the 2020 Capital Budget and would be resolved in the fiscal year ending December 31, 2020.

Examination of Cash Receipts

A test check of cash receipts was made.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. The previous year audit findings have been corrected except for those marked with an asterisk (*).

Acknowledgment

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

Should you have any questions, please contact us.

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 22, 2019
Toms River, New Jersey