# FIRE DISTRICT NO. 1
# OF THE TOWNSHIP OF WASHINGTON

**Financial Statements and Supplementary Information**

**For the year ended December 31, 2019**

**(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, 2019**
**(With Independent Auditor's Report thereon)**

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HOLT MCNALLY & ASSOCIATES
Certified Public Accountants & Advisors

# 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, 2019, 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.

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## 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, 2019, 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.

## 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 4, 2020 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.

Holt McNally & Associates, Inc.

**HOLT MCNALLY & ASSOCIATES, INC.**
*Certified Public Accountants & Advisors*

Medford, New Jersey
August 4, 2020

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Certified Public Accountants & Advisors

## 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, 2019, 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 4, 2020.

### 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.

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**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 no instances 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.

**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.

Holt McNally & Associates, Inc.

**HOLT MCNALLY & ASSOCIATES, INC.**
*Certified Public Accountants & Advisors*

Medford, New Jersey
August 4, 2020

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**
**MANAGEMENT DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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 and the District's financial statements which begin on page 15. Notes to the financial statements will provide the reader with additional useful information and they begin on page 25.

## 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, 2019 by approximately $10.53 million. In 2018 the excess of liabilities over assets was approximately $9.89 million. This is an increase of $640,775.

- At the close of the current year, the District's governmental funds reported combined ending fund balances of approximately $6.6 million, an increase of approximately $128,000, or approximately 2 percent (2%), in comparison with the prior year.

- During 2019 the District operated at a deficit of approximately $640,700. In 2018 the district operated at a deficit of approximately $161,700. This is a change of approximately $479,000.

- The District increased their liabilities by approximately $2.18 million in 2019 and increased their total assets by approximately $1.65 million.

- During the current year, the Fire District reduced its obligations for debt services by $320,000 for outstanding general obligation bonds. The District also decreased its obligations for debt services by $25,085 for outstanding capital leases payable.

## 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

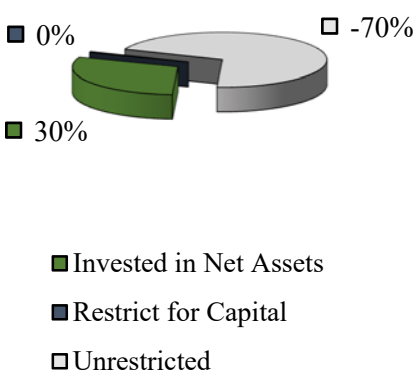
Fire District No. 1 of the Township of Washington's net position is a useful indicator of the District's financial condition. At the end of 2019, the District's liabilities exceeded its assets by approximately $10.42 million. The largest portion of Fire District No. 1 of the Township of Washington's 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**

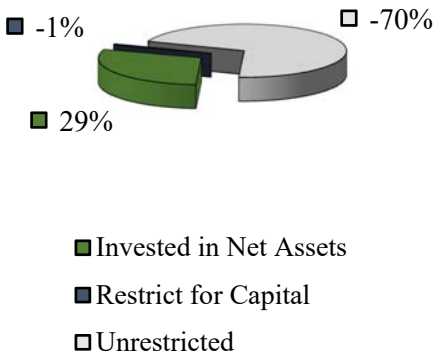
FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
NET POSITION
DECEMBER 31, 2019

| | 2019 | 2018 | $ Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Current and other assets | $ 10,398,717 | $ 9,307,094 | 1,091,623 | 11.7% |
| Capital assets | 10,860,058 | 10,410,700 | 449,358 | 4.3% |
| Total assets | 21,258,775 | 19,717,794 | 1,540,981 | 7.8% |
| Total liabilities | (31,785,594) | (29,603,838) | (2,181,756) | 7.4% |
| Net position | $ (10,526,819) | $ (9,886,044) | (640,775) | 6.5% |
| **Analysis of net position:** | | | | |
| Invested in capital assets, net of related debt | $ 7,871,545 | $ 7,077,102 | 794,443 | 11.2% |
| Restricted for: | | | | |
| Capital projects | 19,079 | (122,921) | 142,000 | -115.5% |
| Unrestricted | (18,417,443) | (16,840,225) | (1,577,218) | 9.4% |
| Total net position | $ (10,526,819) | $ (9,886,044) | (640,775) | 6.5% |

**2019 Net Position**




**2018 Net Position**



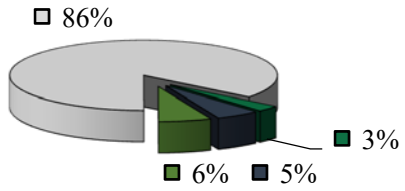

The net position of Fire District No. 1 of the Township of Washington decreased approximately $640,700 as a result of the current year deficit. The District added approximately $1.25 million of capital assets during the year. In 2019 the capital assets increased by approximately $449,300 after depreciation 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:

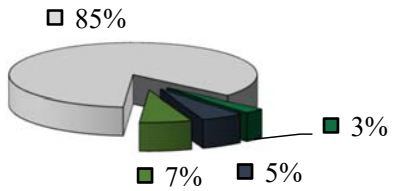
| | 2019 | 2018 | $ Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Expenses | | | | |
| Program expenses | | | | |
| Administrative expenses | $ 444,066 | $ 440,826 | 3,240 | 0.7% |
| Cost of operations and maintenance | 6,111,708 | 5,497,865 | 613,843 | 11.2% |
| Operating appropriations offset with revenues | 193,034 | 173,993 | 19,041 | 10.9% |
| Length of service award contribution | 367,775 | 358,945 | 8,830 | 2.5% |
| Total program expenses | 7,116,583 | 6,471,629 | 644,954 | 10.0% |

**2019 Program Expenses**



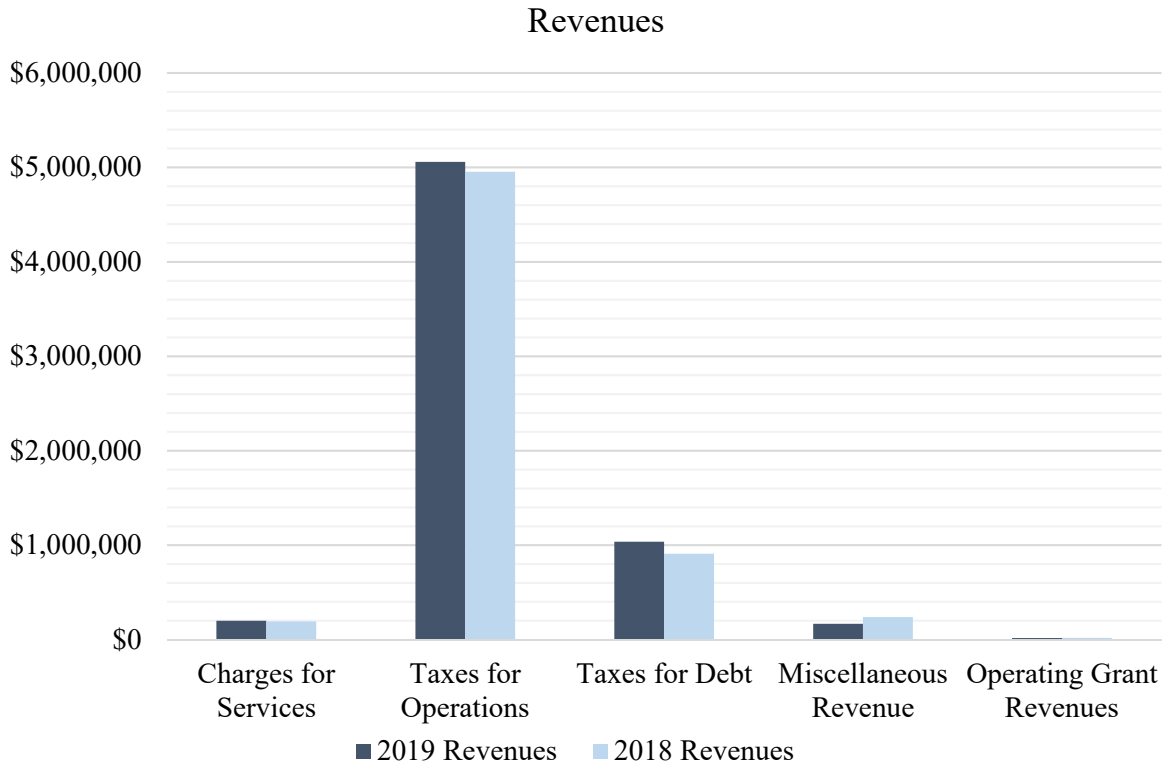

- Administrative
- Operations
- Operating Appropriations Offset with Revenues
- LOSAP

**2018 Program Expenses**




- Administrative
- Operations
- Operating Appropriations Offset with Revenues
- LOSAP

| | 2019 | 2018 | $ Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | 199,239 | 192,066 | 7,173 | 3.7% |
| Total program revenues | 199,239 | 192,066 | 7,173 | 3.7% |
| Net program expenses | 6,917,344 | 6,279,563 | 637,781 | 10.2% |
| General revenues | | | | |
| Property taxes levied for: | | | | |
| General purposes | 5,057,598 | 4,953,532 | 104,066 | 2.1% |
| Debt service | 1,035,307 | 908,861 | 126,446 | 13.9% |
| Total property taxes levied | 6,092,905 | 5,862,393 | 230,512 | 3.9% |
| Other revenue | 167,245 | 238,061 | (70,816) | (29.7%) |
| Operating grant revenue | 16,419 | 17,419 | (1,000) | (5.7%) |
| Total general revenues | 6,276,569 | 6,117,873 | 158,696 | 2.6% |
| Increase (decrease) in net position | (640,775) | (161,690) | (479,085) | 296.3% |
| Net position, January 1, unadjusted | (9,886,044) | (3,970,870) | (5,915,174) | 149.0% |
| Prior period adjustment | - | (5,753,484) | (5,753,484) | 100.0% |
| Net position, January 1, restated | (9,886,044) | (9,724,354) | (161,690) | 1.7% |
| Net position, December 31 | $(10,526,819) | $ (9,886,044) | (640,775) | 6.5% |




Property tax revenue constituted 97% of the total governmental activities revenues received by Fire District No. 1 of the Township of Washington in 2019. In 2018 the property tax revenue constituted 93% of total revenues.

The Cost of Operations & Maintenance was 86% and 85% of the District's total expenses in 2019 and 2018, respectively. Administration expenses equaled 6% and 7% of the total expenses in 2019 and 2018, 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, 2019, the combined balance of the governmental cash funds of Fire District No. 1 of the Township of Washington was approximately $1.74 million. This balance is approximately $600,000 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 $6.6 million. Unreserved fund balance amounted to approximately $1.25 million of that total. Reserved fund balance of $300,000 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 2019, the total fund balance of the general fund was approximately $6.58 million. Of this balance, approximately $1.25 million of it was unreserved.

During 2019 the general fund balance of Fire District No. 1 of the Township of Washington decreased by approximately $13,900. The primary reasons for this increase is as follows:

- The Board transferred $142,000 from the general fund to the capital projects fund

At the end of 2019, the District had a capital projects fund balance of approximately $19,000.

**General Fund Budgetary Highlights**

The 2019 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 $4,100 in 2019. The Board anticipates in 2020 that actual revenues will exceed the budgeted revenues.

Overall, the District spent approximately $451,500 less than originally anticipated in the operating budget for 2019.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2019 Fire District No. 1 of the Township of Washington had invested in capital assets for government activities of approximately $10,862,600 (net of accumulated depreciation). Capital assets consist of land, apparatus in progress, firehouse improvements, fire apparatus, fire equipment, and office equipment. The District purchased approximately $1.25 million of apparatus and equipment in 2019.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2019

| | 2019 | 2018 | $ Increase (Decrease) |
|---|---|---|---|
| Capital assets | | | |
| Land | $ 658,015 | $ 658,015 | - |
| Apparatus in progress | 590,000 | 315,000 | 275,000 |
| Buildings and improvements | 11,693,732 | 11,656,232 | 37,500 |
| Furniture and equipment | 4,226,286 | 4,072,896 | 153,390 |
| Vehicles and apparatus | 7,118,933 | 6,335,020 | 783,913 |
| Total capital assets | 24,286,966 | 23,037,163 | 1,249,803 |
| Accumulated depreciation | (13,426,908) | (12,626,463) | (800,445) |
| Total capital assets, net | $ 10,860,058 | $ 10,410,700 | 449,358 |

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, 2019 the Fire District No. 1 of the Township of Washington had serial bonds payable outstanding in the amount of approximately $670,000, of which $330,000 is due within one year.

Additionally, as of December 31, 2019 the Fire District No. 1 of the Township of Washington had capital leases outstanding in the amount of approximately $2.32 million, of which approximately $554,650 is due within one year.

## ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2019, 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 2019 the fire tax levy amounted to 97% of total revenue collected.

Fire District No. 1 of the Township of Washington adopted their 2020 budget on January 20, 2020. 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, 2019**

| | Governmental Activities |
|---|---|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents (Note 3) | $ 1,744,190 |
| Prepaid insurance | 4,311 |
| Due from others (Note 5) | 25,327 |
| Other receivables | 13,936 |
| Total current assets | 1,787,764 |
| Noncurrent asset: | |
| Investment in length of service awards program (Note 4) | 5,167,845 |
| Total noncurrent assets | 5,167,845 |
| Capital assets, net: | |
| Nondepreciable (Note 6) | 1,248,015 |
| Depreciable (Note 6) | 9,612,043 |
| Total capital assets | 10,860,058 |
| Total assets | 17,815,667 |
| Deferred outflows of resources: | |
| Deferred outflows related to other postemployment benefits (Note 8) | 539,637 |
| Deferred outflows related to pensions (Note 9) | 923,785 |
| Deferred outflows related investment in length of service awards program (Note 10) | 1,979,686 |
| Total deferred outflow of resources | 3,443,108 |
| Total assets and deferred outflow of resources | $ 21,258,775 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | $ 152,404 |
| Accrued expenses | 67,817 |
| Accrued interest payable | 59,638 |
| Compensated absences, current portion (Note 7) | 133,285 |
| Unamortized bond premium, net, current portion (Note 7) | 671 |
| Capital lease payable (Note 7) | 554,654 |
| Bonds payable (Note 7) | 330,000 |
| Pensions payable | 522,355 |
| Total current liabilities | 1,820,824 |
| Noncurrent liabilities: | |
| Capital leases payable (Note 7) | 1,763,859 |
| Bonds payable (Note 7) | 340,000 |
| Compensated absences (Note 7) | 399,854 |
| Net other postemployment benefits (Note 8) | 3,633,869 |
| Net pension liability (Note 9) | 6,479,216 |
| Net length of service awards program liability (Note 10) | 12,205,043 |
| Total noncurrent liabilities | 24,821,841 |
| Total liabilities | 26,642,665 |
| Deferred inflows of resources: | |
| Deferred inflows related to other postemployment benefits (Note 8) | 2,704,702 |
| Deferred inflows related to pensions (Note 9) | 2,417,066 |
| Deferred inflows related investment in length of service award program (Note 10) | 19,839 |
| Bond and loan premium, net of accumulated amortization (Note 7) | 1,322 |
| Total deferred inflow of resources | 5,142,929 |
| Total liabilities and deferred inflow of resources | 31,785,594 |
| Net position: | |
| Investments in capital assets, net of related debt | 7,871,545 |
| Restricted for: | |
| Capital | 19,079 |
| Unrestricted (Note 17) | (18,417,443) |
| Total net position | (10,526,819) |
| Total liabilities, deferred inflow of resources and net position | $ 21,258,775 |

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, 2019**

| | | | Governmental Activities |
|---|---|---|---|
| | **Expenses** | **Charges for Services** | **Totals** |
| Government activities: | | | |
| Operation appropriations: | | | |
| Administration | $ 444,066 | $ - | $ 444,066 |
| Costs of operations and maintenance | 6,111,708 | 199,239 | 5,912,469 |
| Operating appropriations offset with revenues | 193,034 | - | 193,034 |
| Length of service award contribution | 367,775 | - | 367,775 |
| Total government activities | 7,116,583 | 199,239 | 6,917,344 |
| General revenues: | | | |
| Miscellaneous revenue | | | 167,245 |
| Operating grant revenues | | | 16,419 |
| Amount raised by taxation | | | 6,092,905 |
| Total general revenues | | | 6,276,569 |
| Change in net position | | | (640,775) |
| Net position, January 1 | | | (9,886,044) |
| Net position, December 31 | | | $ (10,526,819) |

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, 2019**

| | General Fund | Capital Projects Fund | Debt Service Fund | Totals |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 1,744,190 | $ - | $ - | $ 1,744,190 |
| Due from others | 25,327 | - | - | 25,327 |
| Other receivables | 13,936 | 19,079 | - | 33,015 |
| Total current assets | 1,783,453 | 19,079 | - | 1,802,532 |
| Noncurrent assets: | | | | |
| Investment in length of service awards program | 5,167,845 | - | - | 5,167,845 |
| Total noncurrent assets | 5,167,845 | - | - | 5,167,845 |
| Total assets | $ 6,951,298 | $ 19,079 | $ - | $ 6,970,377 |
| Liabilities, equity and other credits: | | | | |
| Accounts payable | $ 152,404 | $ - | $ - | $ 152,404 |
| Accrued expenses | 201,102 | - | - | 201,102 |
| Due to others | 19,079 | - | - | - |
| Total liabilities | 372,585 | - | - | 353,506 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Capital | - | 19,079 | - | 19,079 |
| Length of service awards program | 5,167,845 | - | - | 5,167,845 |
| Assigned for: | | | | |
| Subsequent year's expenditures | 300,000 | - | - | 300,000 |
| Unassigned, reported in: | | | | |
| General fund | 1,110,868 | - | - | 1,110,868 |
| Total fund balance | 6,578,713 | 19,079 | - | 6,597,792 |
| Total liabilities and fund balance | $ 6,951,298 | $ 19,079 | $ - | |
| 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 $24,289,550 and the accumulated depreciation is $13,426,908 | | | | 10,860,058 |
| 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. | | | | (581,993) |
| 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 $52,666 | | | | (1,993) |
| 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. | | | | (1,698,499) |
| Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds. | | | | (25,706,495) |
| Net position of governmental activities | | | | $ (10,526,819) |

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, 2019**

| | General Fund | Capital Projects Fund | Debt Service Fund | Totals |
|---|---|---|---|---|
| Revenues: | | | | |
| Miscellaneous anticipated revenue: | | | | |
| Investment income - unrestricted cash and investments | $ 23,792 | $ - | $ - | $ 23,792 |
| Investment income - length of service awards program | 151,000 | - | - | 151,000 |
| Other revenue | 143,453 | - | - | 143,453 |
| Total miscellaneous revenues | 318,245 | - | - | 318,245 |
| Operating grant revenues: | | | | |
| Supplemental fire service act | 16,419 | - | - | 16,419 |
| Total operating grant revenue | 16,419 | - | - | 16,419 |
| Miscellaneous revenues offset with appropriations: | | | | |
| Uniform Fire Safety Act revenues: | | | | |
| Annual registration fee | 174,954 | - | - | 174,954 |
| Penalties and fines | 24,145 | - | - | 24,145 |
| Other revenues | 140 | - | - | 140 |
| Total Uniform Fire Safety Act revenues | 199,239 | - | - | 199,239 |
| Total miscellaneous revenues offset with appropriations | 199,239 | - | - | 199,239 |
| Total revenues | 533,903 | - | - | 533,903 |
| Amount raised by taxation to support the district budget | 5,057,598 | - | 1,035,307 | 6,092,905 |
| Total anticipated revenues | 5,591,501 | - | 1,035,307 | 6,626,808 |
| Expenditures: | | | | |
| Operating appropriations: | | | | |
| Administration: | | | | |
| Salaries and wages | 166,761 | - | - | 166,761 |
| Fringe benefits | 95,593 | - | - | 95,593 |
| Other expenditures: | | | | |
| Professional fees | 111,458 | - | - | 111,458 |
| Elections | 5,130 | - | - | 5,130 |
| Insurance | 7,390 | - | - | 7,390 |
| Membership dues/software/subscriptions | 49,316 | - | - | 49,316 |
| Office supplies | 8,418 | - | - | 8,418 |
| Total administration | 444,066 | - | - | 444,066 |

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, 2019**

| | General Fund | Capital Projects Fund | Debt Service Fund | Totals |
|---|---|---|---|---|
| Cost of operations and maintenance: | | | | |
| Salaries and wages | 2,007,764 | - | - | 2,007,764 |
| Fringe benefits | 1,278,287 | - | - | 1,278,287 |
| Other expenditures: | | | | |
| Insurance | 97,094 | - | - | 97,094 |
| Advertising | 11,513 | - | - | 11,513 |
| Professional services | 88,202 | - | - | 88,202 |
| Rental charges | 110,257 | - | - | 110,257 |
| Supplies | 29,076 | - | - | 29,076 |
| Training and education | 117,490 | - | - | 117,490 |
| Uniforms | 123,132 | - | - | 123,132 |
| Utilities | 251,455 | - | - | 251,455 |
| Other rentals | 69,207 | - | - | 69,207 |
| SFSG expenses | 15,058 | - | - | 15,058 |
| Contingencies | 4,121 | - | - | 4,121 |
| Maintenance and repairs | 360,895 | - | - | 360,895 |
| Other non-bondable assets | 66,372 | - | - | 66,372 |
| Total cost of operations and maintenance | 4,629,923 | - | - | 4,629,923 |
| Operating appropriations offset with revenues: | | | | |
| Salaries and wages | 121,499 | - | - | 121,499 |
| Fringe benefits | 70,801 | - | - | 70,801 |
| Other expenditures | 734 | - | - | 734 |
| Total operating appropriations offset with revenues | 193,034 | - | - | 193,034 |
| Length of service awards program: | | | | |
| Administrative fees | 6,105 | - | - | 6,105 |
| Group life insurance premium | 10,900 | - | - | 10,900 |
| Participant withdrawals | 179,395 | - | - | 179,395 |
| Total length of service awards program | 196,400 | - | - | 196,400 |
| Capital appropriations | - | 1,054,833 | - | 1,054,833 |
| Debt service for capital appropriations: | | | | |
| Bond principal | - | - | 320,000 | 320,000 |
| Interest on bonds | - | - | 46,150 | 46,150 |
| Capital leases | - | - | 615,085 | 615,085 |
| Interest on capital leases | - | - | 54,072 | 54,072 |
| Total debt service for capital appropriations | - | - | 1,035,307 | 1,035,307 |
| Total operating appropriations | 5,267,023 | - | - | 5,267,023 |
| Total governmental expenditures | 5,463,423 | 1,054,833 | 1,035,307 | 7,553,563 |
| Other financing sources and uses: | | | | |
| Proceeds from capital lease | - | 1,054,833 | - | 1,054,833 |
| Transfer of fund balance | (142,000) | 142,000 | - | - |
| Total other financing sources and uses | (142,000) | 1,196,833 | - | 1,054,833 |
| Excess of revenues over expenditures | (13,922) | 142,000 | - | 128,078 |
| Fund balance, January 1 | 6,592,635 | (122,921) | - | 6,469,714 |
| Fund balance, December 31 | $ 6,578,713 | $ 19,079 | $ - | $ 6,597,792 |

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, 2019**

| | | | |
|---|---|---|---|
| Total net changes in Fund Balance-Governmental Funds (B-2) | | | $ 128,078 |
| 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 | 662,387 | |
| | Capital Outlays - Capital Projects Fund | 590,000 | |
| | Capital Asset Adjustment | (2,584) | |
| | Depreciation expense | (800,445) | |
| | | | 449,358 |
| 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 | (614,546) | |
| | District contribution to length of service awards program | (367,775) | |
| | Appreciation in fair value of investments | (151,000) | |
| | Administrative fees | 6,105 | |
| | Group life insurance premiums | 10,900 | |
| | Participant withdrawals | 179,395 | |
| | | | (936,921) |
| 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. | | | 2,022 |
| 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. | | | 320,000 |
| 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. | | | 615,085 |
| 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 | 44,787 | |
| | Current year | (59,638) | |
| | | | (14,851) |

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, 2019**

| | | |
|---|---|---|
| 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. | | (1,054,833) |
| District other postemployment benefit contributions are reported as expenditures in the govermental funds when made. However, they are reportec 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 | 123,033 | |
| | | 123,033 |
| 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 | (230,731) | |
| | | (230,731) |
| 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 $41,015 | | (41,015) |
| Changes in net position of governmental activities | | $ (640,775) |

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, 2019**

| | Unemployment Compensation | Total |
|---|---|---|
| Assets: | | |
| Cash | $ 16,749 | $ 16,749 |
| Total assets | $ 16,749 | $ 16,749 |
| Liabilities: | | |
| Other payables | $ 13,936 | $ 13,936 |
| Total liabilities | 13,936 | 13,936 |
| Net position: | | |
| Reserved: | | |
| Unemployment claims | 2,813 | 2,813 |
| Total net position | 2,813 | 2,813 |
| Total liabilities and net position | $ 16,749 | $ 16,749 |

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, 2019**

| | Unemployment Compensation | Total |
|---|---|---|
| Revenues and other financing sources: | | |
| District contributions | $ - | $ - |
| Total contributions | - | - |
| Investment earnings: | | |
| Interest | 182 | 182 |
| Total investment earnings | 182 | 182 |
| Total revenues and other financing sources | 182 | 182 |
| Expenditures: | | |
| Unemployment claims | 688 | 688 |
| Total expenditures | 688 | 688 |
| Excess of revenues and other financing sources over expenditures | (506) | (506) |
| Net position, January 1 | 3,319 | 3,319 |
| Net position, December 31 | $ 2,813 | $ 2,813 |

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

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**FIRE DISTRICT NO. 1 OF THE DISTRICT OF WASHINGTON**
**Notes to Financial Statements**
**For the year ended December 31, 2019**

## NOTE 1: GENERAL INFORMATION

### A. Description of Reporting Entity

Fire District No. 1 of the Township of Washington is a political subdivision of the District 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, 2019:

| Officials | Term Expires March |
|---|---|
| Edwin Etschman | 2021 |
| Robert Matteo | 2022 |
| William Robertson | 2022 |
| 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, 2019.

## 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, 2019.

### 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, 2019:

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following effective dates have been updated to reflect the implementation of Statement No. 95.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future 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, 2019. 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, 2019. Management does not expect this Statement to have a material impact on the District's financial statements.

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 June 15, 2021. 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

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### S. Impact of Recently Issued Accounting Principles (continued)

debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. This statement had no material impact on the District's financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Statement No. 90 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. 91, Conduit Debt Obligations, The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Statement No. 91 is effective for reporting periods beginning after December 15, 2021. 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, 2019, 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.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

*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, 2019.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### V. Subsequent Events

Fire District No. 1 of the Township of Washington has evaluated subsequent events occurring after December 31, 2019 through the date of August 4, 2020, 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, 2019, and reported at fair value are as follows:

| | |
|---|---|
| **Deposits:** | |
| Demand Deposits | $ 1,760,939 |
| Total Deposits | $ 1,760,939 |
| | |
| **Reconciliation to Governmental Fund Statements:** | |
| Governmental Funds | $ 1,744,190 |
| Fiduciary Funds | 16,749 |
| Total | $ 1,760,939 |

### 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, 2019, the District's bank balance of $1,775,263 was insured or collateralized as follows:

| | |
|---|---|
| Insured | $ 987,215 |
| Collaterized not in the District's name (New Jersey Cash Management Fund) | 276,992 |
| Collaterized in the District's name under GUDPA | 511,056 |
| Total | $ 1,775,263 |

## 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.

## NOTE 4: INVESTMENTS (continued)

### 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, 2019, are provided in the below schedule.

### 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, 2019.

| | **Assets at Fair Value as of December 31, 2019** | | | |
|---|---|---|---|---|
| | *Level I* | *Level II* | *Level III* | *Total* |
| Length of service award program: | | | | |
| Fixed account investment contract | $ - | $ - | $ 5,167,845 | $ 5,167,845 |
| Total LOSAP at fair value | $ - | $ - | $ 5,167,845 | $ 5,167,845 |

## NOTE 4: INVESTMENTS (continued)

### 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, 2019:

| | Level III Assets Year Ended December 31, 2019 |
|---|---|
| Balance, beginning of year | $ 4,845,470 |
| Purchases, sales, issuances and settlements (net) | 171,376 |
| Gains & (Losses) | 150,999 |
| Balance, end of year | $ 5,167,845 |

## NOTE 5: DUE FROM OTHERS

As of December 31, 2019, accounts receivables consisted of the following:

| | |
|---|---|
| Inspira fee receivables | $ 1,050 |
| Interlocal agreement receivable | 24,277 |
| Total | $ 25,327 |

## 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.

Capital assets consisted of the following at December 31, 2019:

| | Beginning Balance | Additions | Adjustments | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | $ 658,015 | $ - | $ - | $ 658,015 |
| Apparatus in progress | 315,000 | 590,000 | (315,000) | 590,000 |
| Total capital assets that are not being depreciated | 973,015 | $ 590,000 | (315,000) | 1,248,015 |
| Capital assets being depreciated: | | | | |
| Building and improvements | 11,656,232 | 37,500 | - | 11,693,732 |
| Furniture and equipment | 4,072,896 | 155,974 | (2,584) | 4,226,286 |
| Vehicle and apparatus | 6,335,020 | 468,913 | 315,000 | 7,118,933 |
| Total capital assets being depreciated | 22,064,148 | 662,387 | 312,416 | 23,038,951 |
| Less: accumulated depreciation: | | | | |
| Building and improvements | (6,121,791) | (275,302) | - | (6,397,093) |
| Furniture and equipment | (3,178,260) | (219,627) | - | (3,397,887) |
| Vehicle and apparatus | (3,326,412) | (305,516) | - | (3,631,928) |
| Total accumulated depreciation | 12,626,463) | (800,445) | - | (13,426,908) |
| Total capital assets being depreciated net of accumulated depreciation | 9,437,685 | (138,058) | (2,584) | 9,612,043 |
| Total capital assets | $ 10,410,700 | $ 451,942 | $ (2,584) | $ 10,860,058 |

## NOTE 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2019, the following changes occurred in long-term obligations:

| | Balance 12/31/18 | Accrued/ increases | (Retired)/ (decreases) | Balance 12/31/19 | Due within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General serial bonds | $ 990,000 | $ - | $ (320,000) | $ 670,000 | $ 330,000 |
| Unamortized bond premium | 4,015 | - | (2,022) | 1,993 | 1,993 |
| Obligations under capital lease | 1,878,765 | 1,054,833 | (615,085) | 2,318,513 | 554,654 |
| Net pension liability | 7,072,875 | - | (593,659) | 6,479,216 | - |
| Net other postemployment benefit liability | 3,781,922 | - | (148,053) | 3,633,869 | - |
| Net length of service awards program liability | 9,888,597 | 2,316,446 | - | 12,205,043 | - |
| Compensated absences | 358,839 | 41,015 | - | 399,854 | 133,285 |
| Total | $23,975,013 | $3,412,294 | $(1,678,819) | $25,708,488 | $1,019,932 |

### 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 |
|---|---|---|---|
| 2020 | $ 330,000 | $ 30,150 | $ 360,150 |
| 2021 | 340,000 | 15,300 | 355,300 |
| Total | $ 670,000 | $ 45,450 | $ 715,450 |

## 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, 2019.

| For the year ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 554,654 | $ 56,857 | $ 611,511 |
| 2021 | 424,622 | 43,698 | 468,320 |
| 2022 | 326,335 | 33,356 | 359,691 |
| 2023 | 334,392 | 25,299 | 359,691 |
| 2024 | 342,655 | 17,037 | 359,692 |
| 2025-2028 | 335,855 | 21,680 | 357,535 |
| Total | $ 2,318,513 | $ 197,927 | $ 2,516,440 |

## 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)

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 (benefit) expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) 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, 2019 were $5,637,151,775.00 and $8,182,092,807.00, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) 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, 2018 through June 30, 2019. 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

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

| | |
|---|---|
| Inflation Rate | 2.50% |
| Salary Increases*: | |
| Public Employees' Retirement System (PERS) | |
| Initial Fiscal Year Applied | |
| Rate through 2026 | 2.00% to 6.00% |
| Rate thereafter | 3.00% to 7.00% |
| Police and Firemen's Retirement System (PFRS) | |
| Rate for all future years | 3.25% to 15.25% |
| Mortality: | |
| PERS | Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 |
| PERS | Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 |

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

**OPEB Obligation and OPEB (benefit) Expense -** The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the District's as of June 30, 2019 was $3,633,869. The District's proportionate share was $0.

The OPEB Obligation was measured as of June 30, 2019, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. 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 Municipalities, actuarially determined. At June 30, 2019, the State proportionate share of the OPEB Obligation attributable to the District was 0.02683%, which was an increase of 0.00269% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2019, the State of New Jersey recognized an OPEB (benefit) expense in the amount of $(18,339) for the State's proportionate share of the OPEB (benefit) expense attributable to the District. This OPEB (benefit) expense was based on the OPEB plans June 30, 2019 measurement date.

## NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years.

*Discount Rate*

The discount rate for June 30, 2019 was 3.50%. 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 the Discount Rate***

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019, 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:

| | At 1% Decrease (2.50%) | At Discount Rate (3.50%) | At 1% Increase (4.50%) |
|---|---|---|---|
| State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The District | $ 4,201,676.97 | $ 3,633,869.00 | $ 3,172,449.97 |
| State of New Jersey's Total Nonemployer OPEB Liability | 15,662,704,137.00 | 13,546,071,100.00 | 11,826,026,995.00 |

***Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:***

The following presents the net OPEB liability as of June 30, 2019, 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:

## NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with The District | $ 3,066,537.61 | $ 3,633,869.00 | $ 4,357,595.69 |
| State of New Jersey's Total Nonemployer OPEB Liability | 11,431,214,644.00 | 13,546,071,100.00 | 16,243,926,531.00 |

**Additional Information –** The following is a summary of the collective balances of the local group at June 30, 2019:

**Collective Balances at December 31, 2019 and December 31, 2018**

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Actuarial valuation date (including roll forward) | June 30, 2019 | June 30, 2018 |
| Collective Deferred Outflows of Resources | $ 11,158,226.00 | $ 8,279,239.00 |
| Collective Deferred Inflows of Resources | 8,761,825,481.00 | 7,154,925,195.00 |
| Collective Net OPEB Liability | 13,546,071,100.00 | 15,666,618,141.00 |
| District's Portion | 0.026826% | 0.024140% |

The collective amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30: | |
|---|---|
| 2020 | $ (1,425,201,517.00) |
| 2021 | (1,425,201,517.00) |
| 2022 | (1,426,076,187.00) |
| 2023 | (1,427,489,995.00) |
| 2024 | (1,428,781,861.00) |
| Thereafter | (1,617,916,178.00) |
| | $ (8,750,667,255.00) |

## NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

*Changes in Proportion*

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 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

### Plan Membership

At June 30, 2018, the Program membership consisted of the following:

| | June 30, 2018 |
|---|---|
| Active Plan Members | 63,032 |
| Retirees Currently Receiving Benefits | 27,871 |
| Total Plan Members | 90,903 |

### Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

| | |
|---|---|
| Service Cost | $ 666,574,660.00 |
| Interest on the Total OPEB Liability | 636,082,461.00 |
| Change of Benefit Terms | (1,903,958.00) |
| Differences Between Expected and Actual Experience | (1,399,921,930.00) |
| Changes of Assumptions | (1,635,760,217.00) |
| Contributions From the Employer | (346,415,056.00) |
| Contributions From Non-Employer Contributing Entity | (43,854,500.00) |
| Net Investment Income | (4,826,936.00) |
| Administrative Expense | 9,478,435.00 |
| Net Change in Total OPEB Liability | (2,120,547,041.00) |
| Total OPEB Liability (Beginning) | 15,666,618,141.00 |
| Total OPEB Liability (Ending) | $ 13,546,071,100.00 |

## 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.state.nj.us/treasury/pensions/annual-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.

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 and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (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 2019, 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, 2019, the District's contractually required contribution to PERS plan was $23,517.

**Components of Net Pension Liability** - At December 31, 2019, the District's proportionate share of the PERS net pension liability was $435,631 The net pension liability was measured as of June 30, 2019. 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, 2018, which was rolled forward to June 30, 2019. 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, 2019. The District's proportion measured as of June 30, 2019, was 0.00242% which was an increase of 0.00002% from its proportion measured as of June 30, 2018.

**Balances at December 31, 2019 and December 31, 2018**

| | 12/31/2019 | 12/30/2018 |
|---|---|---|
| Actuarial valuation date (including roll forward) | June 30, 2019 | June 30, 2018 |
| Deferred Outflows of Resources | $ 68,296 | $ 107,890 |
| Deferred Inflows of Resources | 188,192 | 219,286 |
| Net Pension Liability | 435,631 | 472,266 |
| District's portion of the Plan's total Net Pension Liability | 0.00242% | 0.00240% |

## NOTE 9: PENSION OBLIGATIONS (continued)

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

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2019, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 measurement date is ($4,617). This expense is not recognized by the District because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the District contributed $23,517 to the plan in 2019.

At December 31, 2019, 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 | $ 7,819 | $ 1,924 |
| Changes of Assumptions | 43,499 | 151,206 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | 6,877 |
| Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions | 16,978 | 28,185 |
| | $ 68,296 | $ 188,192 |

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

## NOTE 9: PENSION OBLIGATIONS (continued)

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

| | 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 | - |
| June 30, 2019 | 5.21 | - |
| Changes of 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 |
| June 30, 2019 | - | 5.21 |
| 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 | - |
| June 30, 2019 | 5.00 | - |
| Changes in Proportion and Differences between 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 |
| June 30, 2019 | 5.21 | 5.21 |

## 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 Dec 31, | Amount |
|---|---|
| 2020 | $ (27,902) |
| 2021 | (33,124) |
| 2022 | (42,125) |
| 2023 | (15,166) |
| 2024 | (1,579) |
| | $ (119,896) |

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

| | |
|---|---|
| Inflation | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases: | |
| Through 2026 | 2.00 - 6.00% Based on Years of Service |
| Thereafter | 3.00 - 7.00% Based on Years of Service |
| Investment Rate of Return | 7.00% |
| Mortality Rate Table | |
| PERS | Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 |
| PFRS | Pub-2010 Safety Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 |
| Period of Actuarial Experience Study upon which Actuarial Assumptions were Based | July 1, 2014 - June 30, 2018 |

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree

## NOTE 9: PENSION OBLIGATIONS (continued)

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

mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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, 2019) 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, 2019 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Risk Mitigation Strategies | 3.00% | 4.67% |
| Cash Equivalents | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 2.68% |
| Investment Grade Credit | 10.00% | 4.25% |
| High Yield | 2.00% | 5.37% |
| Private Credit | 6.00% | 7.92% |
| Real Assets | 2.50% | 9.31% |
| Real Estate | 7.50% | 8.33% |
| U.S. Equity | 28.00% | 8.26% |
| Non-U.S. Developed Markets Equity | 12.50% | 9.00% |
| Emerging Markets Equity | 6.50% | 11.37% |
| Private Equity | 12.00% | 10.85% |
| | 100.00% | |

**Discount Rate** - The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return

## NOTE 9: PENSION OBLIGATIONS (continued)

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

on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

| | 1% Decrease (5.28%) | Current Discount Rate (6.28%) | 1% Increase (7.28%) |
|---|---|---|---|
| District's Proportionate Share of the Net Pension Liability | $ 554,101 | $ 435,631 | $ 341,388 |

### 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.state.nj.us/treasury/pensions/annual-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 schedule of employer and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS, 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 PFRS, 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 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 2019, 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, 2019, the District's contractually required contributions to PFRS plan was $498,838.

## NOTE 9: PENSION OBLIGATIONS (continued)

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

**Net Pension Liability and Pension Expense** - At December 31, 2019 the District's proportionate share of the PFRS net pension liability was $6,043,585. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019. The District's proportion measured as of June 30, 2019, was 0.04938%, which was an increase of 0.00060% from its proportion measured as of June 30, 2018.

**Balances at December 31, 2019 and Decmber 31, 2018**

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Actuarial valuation date (including roll forward) | June 30, 2019 | June 30, 2018 |
| Deferred Outflows of Resources | $ 855,489 | $ 1,355,112 |
| Deferred Inflows of Resources | 2,228,874 | 2,019,458 |
| Net Pension Liability | 6,043,585 | 6,600,609 |
| District's portion of the Plan's total net pension Liability | 0.04938% | 0.04878% |

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2019, the District's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2019 measurement date was $650,854. This expense is not recognized by the District because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the District contributed $498,838 to the plan in 2019.

## NOTE 9: PENSION OBLIGATIONS (continued)

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

At December 31, 2019, the District had 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 | $ 51,016 | $ 38,263 |
| Changes of Assumptions | 207,086 | 1,953,231 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | 81,889 |
| Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions | 597,387 | 155,491 |
| | $ 855,489 | $ 2,228,874 |

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

## NOTE 9: PENSION OBLIGATIONS (continued)

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

| | 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 | - |
| June 30, 2019 | - | 5.92 |
| Changes of 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 |
| June 30, 2019 | - | 5.92 |
| 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 | - |
| June 30, 2019 | - | 5.00 |
| Changes in Proportion and Differences between 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 |
| June 30, 2019 | 5.92 | 5.92 |

## 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 Dec 31, | Amount |
|---|---|
| 2020 | $ (322,207) |
| 2021 | (398,236) |
| 2022 | (349,977) |
| 2023 | (198,086) |
| 2024 | (104,879) |
| | $ (1,373,385) |

**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.

Additionally, the State's proportionate share of the PFRS net pension liability attributable to the District is $954,294 as of December 31, 2019. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019 was 0.04938%, which was an increase of 0.00060% from its proportion measured as of June 30, 2018, which is the same proportion as the District's. At December 31, 2019, the District's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

## NOTE 9: PENSION OBLIGATIONS (continued)

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

| | |
|---|---|
| District's Proportionate Share of Net Pension Liability | $ 6,043,585 |
| State of New Jersey's Proportionate Share of Net Pension Liability Associated with the District | 954,294 |
| | $ 6,997,879 |

At December 31, 2019, the State's proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2019 measurement date was $110,881.

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

| | | |
|---|---|---|
| Inflation | | |
| | Price | 2.75% |
| | Wage | 3.25% |
| Salary Increases: | | |
| | Through all future years | 3.25 - 15.25%<br>Based on Years of Service |
| Investment Rate of Return | | 7.00% |
| Mortality Rate Table | | |
| | PERS | Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 |
| | PFRS | Pub-2010 Safety Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 |
| Period of Actuarial Experience Study upon which Actuarial Assumptions were Based | | July 1, 2013 - June 30, 2018 |

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010

## NOTE 9: PENSION OBLIGATIONS (continued)

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

General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

**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, 2019) 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, 2019 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Risk Mitigation Strategies | 3.00% | 4.67% |
| Cash Equivalents | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 2.68% |
| Investment Grade Credit | 10.00% | 4.25% |
| High Yield | 2.00% | 5.37% |
| Private Credit | 6.00% | 7.92% |
| Real Assets | 2.50% | 9.31% |
| Real Estate | 7.50% | 8.33% |
| U.S. Equity | 28.00% | 8.26% |
| Non-U.S. Developed Markets Equity | 12.50% | 9.00% |
| Emerging Markets Equity | 6.50% | 11.37% |
| Private Equity | 12.00% | 10.85% |
| | 100.00% | |

**Discount Rate** - The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. 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 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 and the

## NOTE 9: PENSION OBLIGATIONS (continued)

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

nonemployer contributing entity will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. 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 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076 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 (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

| | 1% Decrease (5.85%) | Current Discount Rate (6.85%) | 1% Increase (7.85%) |
|---|---|---|---|
| District's Proportionate Share of the Net Pension Liability | $ 8,168,725 | $ 6,043,585 | $ 4,284,726 |
| State of New Jersey's Proportionate Share of Net Pension Liability associated with the District | 1,289,858 | 954,294 | 676,567 |
| | $ 9,458,583 | $ 6,997,879 | $ 4,961,293 |

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the District.

## 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 2019 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, 2019 the District's contractually required contribution to the plan was $377,908.

**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, 2019, the District's net pension liability relating to the length of service awards program was $12,205,043. The net pension liability was measured as of March 31, 2020. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of April 1, 2019, which was rolled forward to December 31, 2019. The components of the net pension liability at December 31, 2019, were as follows:

**Collective Balances at December 31, 2019**

| | | 12/31/2019 |
|---|---|---|
| Actuarial valuation date | | January 1, 2019 |
| Deferred outflows of resources | $ | 1,979,686 |
| Deferred inflows of resources | | 19,839 |
| Plan fiduciary liability | | - |
| Net pension liability | | 12,205,043 |
| 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)** |
| **Balances at 4/1/19** | $ 9,888,597 | $ - | $ 9,888,597 |
| **Changes for the year:** | | | |
| Service cost | $ 215,826 | $ - | $ 215,826 |
| Interest | 243,002 | - | 243,002 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (26,452) | - | (26,452) |
| Changes in assumptions | 2,081,322 | | 2,081,322 |
| Benefit payments and expenses | (197,252) | | (197,252) |
| **Net Changes** | 2,316,446 | - | 2,316,446 |
| **Balances at 12/31/19** | $ 12,205,043 | $ - | $ 12,205,043 |

**Pension Expense** – The pension expense, calculated by the plan as of the December 31, 2019 measurement date is $1,134,173 as follows:

| Note | Description | Amount |
|---|---|---|
| A | Service Cost | $ 215,826 |
| B | Interest on the total pension liability | 243,002 |
| A | Changes of benefits terms | - |
| C | Differences between expected and actual experience | 16,944 |
| C | Changes of assumptions | 658,401 |
| | Total Pension Expense Relating to LOSAP | $ 1,134,173 |

**Notes:**

A Provided in the Changes in Net Pension Liability exhibit

B Based on the following calculation:

| Amount for Period (1) | Portion of Period (2) | Projected Rate of Return (3) | Projected Earnings (1) x (2) x (3) |
|---|---|---|---|
| $ 9,888,597 | 100% | 2.48% | $ 245,237 |
| 215,826 | 0% | 2.48% | - |
| (180,247) | 50% | 2.48% | (2,235) |
| | | | $ 243,002 |

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, 2019 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:

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, 2019 | 3.00 | 3.00 |
| Changes of Assumptions | | |
| Year of LOSAP Plan Deferral: | | |
| December 31, 2019 | 3.00 | - |

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 |
|---|---|
| 2021 | $ 675,345 |
| 2022 | 675,345 |
| 2023 | 609,157 |
| 2024 | - |
| 2025 | - |
| Thereafter | - |
| | $ 1,959,847 |

## NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

**Actuarial Assumptions –** The total pension liability was determined by an actuarial valuation as of April 1, 2019 rolled forward to December 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 0.00% |
| Salary Increases: | Not Applicable |
| Investment Rate of Return | 2.48%<br>net of pension plan investment<br>expense, including inflation |
| Mortality Rate Table | Pretirement: None<br>Post-retirement: RP2000<br>projected to 2030 |
| 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, 2019 actuarial valuation report.

**Discount Rate –** The discount rate used to measure the total pension liability 2.48% which is based on the 20-year AA general obligation bond rate as of March 31, 2020.

**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 (1.48%) or 1-percentage-point higher (3.48%) than the current rate:

| | 1% Decrease (1.48%) | Current Discount Rate (2.48%) | 1% Increase (3.48%) |
|---|---|---|---|
| Net Pension Liability - LOSAP | $ 13,066,399 | $ 12,205,043 | $ 11,324,347 |

## 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, 2019, 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 2019 totaled $35,287. There were no unpaid balances due to the District at December 31, 2019.

The Fire District rents fire hydrants owned by the Township's Municipal Utilities District and made payments to them during 2019 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, 2019, the following interfund balances remained on the balance sheet:

| Fund | Interfund receivable | Interfund payable |
|---|---|---|
| General | $ 13,936 | $ 19,079 |
| Capital projects | 19,079 | - |
| Unemployment | - | 13,936 |
| Totals | $ 33,015 | $ 33,015 |

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 2019 annual budget of the Fire District was adopted on December 10, 2018 and subsequently approved by the voters at the annual election. The budget utilized $650,000 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 |
|---|---|---|
| 2019 | $ 1,410,868 | $ 300,000 |
| 2018 | 1,747,165 | 650,000 |
| 2017 | 1,706,023 | 360,000 |
| 2016 | 1,826,996 | 410,000 |
| 2015 | 1,756,602 | 356,000 |

## NOTE 16: FUND BALANCE

**General Fund** – Of the $6,578,713 General Fund fund balance at December 31, 2019, $5,167,845 is restricted for length of service award program, $300,000 has been assigned to be designated for subsequent year's expenditures and $1,110,868 is unassigned.

**Capital Projects Fund** – Of the $19,079 Capital Projects Fund fund balance at December 31, 2019, 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 $(18,417,443) existed as of December 31, 2019 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: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between November 30, 2019 and August 4, 2020, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements. Other than the following, no items have come to the attention of the Authority that would require disclosure.

COVID-19

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic by the World Health Organization and is currently affecting many parts, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and, on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

In New Jersey, Governor Murphy by way of executive orders, has ordered, among other things: all State residents to remain home or at their place of residence unless they meet one or more enumerated exceptions; all State residents to practice social distancing; gatherings of individuals, such as parties, celebrations and social events, are cancelled; non-essential businesses to cease operations from 8:00 p.m. to 5:00 a.m.; all restaurants and bars to close except for delivery or takeout services; casinos, racetracks, gyms and fitness centers and entertainment centers to close; all county and municipal libraries to close; all business and non-profits to accommodate telework or work-from-home arrangements; the cessation of all non-essential construction projects; an extension of insurance premium grace periods; all Pre-K through 12 schools to close; all universities and colleges in the State to cease in-person instruction; The District expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread of and impacts of COVID-19. The District cannot reasonably predict how long and in what manner the outbreak may impact its financial condition or operations.

**Debt Obligations**

During August 2020, the District will be issuing General Obligation Bonds in the amount of $9,970,000. The purpose of these bonds are to provide the District with a new fire station, various fire station upgrades and other various District wide projects. The bonds will mature on May 1, 2040 with varying interest rates that have not yet been determined.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**
**Budgetary Comparison Schedule**
**For the year ended December 31, 2019**

| | Original Budget | Modified Budget | Actual Budgetary Basis | Variance |
|---|---|---|---|---|
| Revenues: | | | | |
| Miscellaneous anticipated revenue: | | | | |
| Investment income | $ 1,000 | $ 1,000 | $ 23,792 | $ 22,792 |
| Other revenue | 180,000 | 180,000 | 143,453 | (36,547) |
| Total miscellaneous revenues | 181,000 | 181,000 | 167,245 | (13,755) |
| Operating grant revenues: | | | | |
| Supplemental fire service act | 16,419 | 16,419 | 16,419 | - |
| Total operating grant revenue | 16,419 | 16,419 | 16,419 | - |
| Miscellaneous revenues offset with appropriations: | | | | |
| Uniform fire safety act revenues: | | | | |
| Annual registration fee | 166,321 | 166,321 | 174,954 | 8,633 |
| Penalties and fines | 4,000 | 4,000 | 24,145 | 20,145 |
| Other revenues | 11,000 | 11,000 | 140 | (10,860) |
| Total uniform fire safety act revenues | 181,321 | 181,321 | 199,239 | 17,918 |
| Total miscellaneous revenues offset with appropriations | 181,321 | 181,321 | 199,239 | 17,918 |
| Total revenues | 378,740 | 378,740 | 382,903 | 4,163 |
| Amount raised by taxation to support district budget | 6,092,905 | 6,092,905 | 6,092,905 | - |
| Total anticipated revenues | 6,471,645 | 6,471,645 | 6,475,808 | 4,163 |
| Expenditures: | | | | |
| Operating appropriations: | | | | |
| Administration: | | | | |
| Salaries and wages | 173,551 | 173,551 | 166,761 | 6,790 |
| Fringe benefits | 64,562 | 64,562 | 95,593 | (31,031) |
| Other expenditures: | | | | |
| Professional fees | 198,700 | 198,700 | 111,458 | 87,242 |
| Elections | 2,775 | 2,775 | 5,130 | (2,355) |
| Insurance | 29,128 | 29,128 | 7,390 | 21,738 |
| Membership dues/software/subscriptions | 48,575 | 48,575 | 49,316 | (741) |
| Office supplies | 12,000 | 12,000 | 8,418 | 3,582 |
| Reimbursement for losses/expenses | 2,000 | 2,000 | - | 2,000 |
| Total administration | 531,291 | 531,291 | 444,066 | 87,225 |

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**
**Budgetary Comparison Schedule**
**For the year ended December 31, 2019**

| | Original Budget | Modified Budget | Actual Budgetary Basis | Variance |
|---|---|---|---|---|
| Cost of operations and maintenance: | | | | |
| Salaries and wages | 1,989,197 | 1,989,197 | 2,007,764 | (18,567) |
| Fringe benefits | 1,480,746 | 1,480,746 | 1,278,287 | 202,459 |
| Other expenditures: | | | | |
| Insurance | 80,580 | 80,580 | 97,094 | (16,514) |
| Advertising | 17,000 | 17,000 | 11,513 | 5,487 |
| Professional services | 55,020 | 55,020 | 88,202 | (33,182) |
| Rental charges | 110,258 | 110,258 | 110,257 | 1 |
| Supplies | 41,700 | 41,700 | 29,076 | 12,624 |
| Training and education | 144,500 | 144,500 | 117,490 | 27,010 |
| Uniforms | 131,450 | 131,450 | 123,132 | 8,318 |
| Utilities | 281,625 | 281,625 | 251,455 | 30,170 |
| Other rentals | 68,900 | 68,900 | 69,207 | (307) |
| SFSG expenses | 18,061 | 18,061 | 15,058 | 3,003 |
| Contingencies | 5,000 | 5,000 | 4,121 | 879 |
| Maintenance and repairs | 387,486 | 387,486 | 360,895 | 26,591 |
| Other non-bondable assets | 162,200 | 162,200 | 66,372 | 95,828 |
| Total cost of operations and maintenance | 4,973,723 | 4,973,723 | 4,629,923 | 343,800 |
| Operating appropriations offset with revenues: | | | | |
| Salaries and wages | 120,479 | 120,479 | 121,499 | (1,020) |
| Fringe benefits | 34,603 | 34,603 | 70,801 | (36,198) |
| Other expenditures | 26,239 | 26,239 | 734 | 25,505 |
| Total operating appropriations offset with revenues | 181,321 | 181,321 | 193,034 | (11,713) |
| Length of service awards program | 400,000 | 400,000 | 367,775 | 32,225 |
| Capital appropriations: | | | | |
| Assets acquired under capital lease | - | - | 1,054,833 | (1,054,833) |
| Total capital appropriations | - | - | 1,054,833 | (1,054,833) |
| Debt service for capital appropriations: | | | | |
| Bond principal | 320,000 | 320,000 | 320,000 | - |
| Interest on bonds | 46,150 | 46,150 | 46,150 | - |
| Capital leases | 615,088 | 615,088 | 615,085 | 3 |
| Interest on capital leases | 54,072 | 54,072 | 54,072 | - |
| Total debt service for capital appropriations | 1,035,310 | 1,035,310 | 1,035,307 | 3 |
| Total operating appropriations | 7,121,645 | 7,121,645 | 7,724,938 | (603,293) |
| Other financing sources and uses: | | | | |
| Proceeds from capital lease | - | - | 1,054,833 | 1,054,833 |
| Total other financing sources and uses: | - | - | 1,054,833 | 1,054,833 |
| Excess (efficiency) of revenues over (under) expenditures | (650,000) | (650,000) | (194,297) | 455,703 |
| Fund balance, January 1 | 1,624,244 | 1,624,244 | 1,624,244 | - |
| Fund balance, December 31 | $ 974,244 | $ 974,244 | $ 1,429,947 | $ 455,703 |

**RECAPITULATION OF FUND BALANCE**

| | |
|---|---|
| Restricted fund balance: | |
| Capital reserve | $ 19,079 |
| Assigned for: | |
| Subsequent year's expenditures | 300,000 |
| Unassigned fund balance | 1,110,868 |
| Total - budgetary basis | 1,429,947 |
| Reconciliation to governmental fund statements (GAAP): | |
| Length of service awards program investment balance not recognized on the budgetary basis | 5,167,845 |
| Total fund balance per governmental funds (GAAP) | $ 6,597,792 |

**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, 2019**

| | Total Governmental Funds |
|---|---|
| Sources/Inflows of Resources: | |
| Actual Amounts (Budgetary Basis) "Revenue" From the Budgetary Comparison Schedule (C-1) | $ 6,475,808 |
| 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 | 151,000 |
| Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2) | $ 6,626,808 |
| Uses/Outflows of Resources: | |
| Actual Amounts (Budgetary Basis) "Total Appropriations" From the Budgetary Comparison Schedule (C-1) | $ 7,724,938 |
| 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 | (367,775) |
| Administrative fees | 6,105 |
| Group life insurance premiums | 10,900 |
| Participant withdrawals | 179,395 |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2) | $ 7,553,563 |

**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 Seven Fiscal Years ***

| | Measurement Date Ended June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| District's Proportion of the Net Pension Liability | 0.00242% | 0.00240% | 0.00236% | 0.00252% | 0.00242% | 0.00235% | 0.00325% |
| District's Proportionate Share of the Net Pension Liability | $ 435,631 | $ 472,266 | $ 548,670 | $ 747,572 | $ 543,150 | $ 440,823 | $ 621,163 |
| District's Covered-Employee Payroll | $ 171,808 | $ 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 | 253.56% | 280.37% | 336.01% | 472.97% | 325.42% | 269.89% | 390.85% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 56.27% | 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.

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

| | Year Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| District's Contractually Required Contribution | $ 23,517 | $ 23,858 | $ 21,835 | $ 22,424 | $ 20,802 | $ 19,410 | $ 24,489 |
| District's Contribution in Relation to the Contractually Required Contribution | (23,517) | (23,858) | (21,835) | (22,424) | (20,802) | (19,410) | (24,489) |
| District's Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's Covered-Employee Payroll | $ 176,964 | $ 171,808 | $ 168,444 | $ 163,292 | $ 158,059 | $ 166,908 | $ 163,332 |
| District's Contributions as a Percentage of it's Covered-Employee Payroll | 13.29% | 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.

**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 Seven Fiscal Years ***

| | Measurement Date Ended June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| District's Proportion of the Net Pension Liability | 0.04938% | 0.04878% | 0.04438% | 0.04646% | 0.04559% | 0.04307% | 0.04550% |
| District's Proportionate Share of the Net Pension Liability | $ 6,043,585 | $ 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 | 954,294 | 896,584 | 767,500 | 745,291 | 665,875 | 583,452 | 563,842 |
| Total | $ 6,997,879 | $ 7,497,193 | $ 7,619,661 | $ 9,620,428 | $ 8,258,807 | $ 5,731,679 | $ 6,612,859 |
| District's Covered-Employee Payroll | $ 1,609,189 | $ 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 | 375.57% | 434.46% | 488.38% | 637.45% | 566.81% | 378.29% | 451.27% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 65.00% | 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.

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

| | Year Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| District's Contractually Required Contribution | $ 498,838 | $ 476,887 | $ 392,814 | $ 378,811 | $ 370,541 | $ 330,883 | $ 331,969 |
| District's Contribution in Relation to the Contractually Required Contribution | (498,838) | (476,887) | (392,814) | (378,811) | (370,541) | (330,883) | (331,969) |
| District's Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's Covered-Employee Payroll | $ 1,793,041 | $ 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 | 27.82% | 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 Four Fiscal Years ***

| | Measurement Date Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 |
| District's Proportion of the Other Postemployment Benefit Liability (asset | 0.02683% | 0.02414% | 0.02574% | 0.02633% |
| District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset | $ 3,633,869 | $ 3,781,922 | $ 5,254,003 | $ 5,718,860 |
| District's Covered-employee Payrol | $ 1,609,189 | $ 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 it Covered-employeePpayrol | 225.82% | 248.93% | 374.47% | 410.75% |
| Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefit Liabilit | 1.97% | 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 Three Fiscal Years ***

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Total pension liability: | | | |
| Service cost | $ 215,826 | $ 188,189 | $ 176,914 |
| Interest | 243,002 | 308,576 | 303,202 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (26,452) | 117,783 | - |
| Changes in assumptions | 2,081,322 | 359,440 | 330,908 |
| Payments for benefits and admin expenses | (197,252) | (198,935) | (176,229) |
| Net change in total pension liability | 2,316,446 | 775,053 | 634,795 |
| Total pension liability - beginning | 9,888,597 | 9,113,544 | 8,478,749 |
| Total pension liability - ending | $ 12,205,043 | $ 9,888,597 | $ 9,113,544 |
| Net pension liability - LOSAP | $ 12,205,043 | $ 9,888,597 | $ 9,113,544 |
| Plan fiduciay net position as a percentage of the total pension liability | 0.00% | 0.00% | 0.00% |
| District's covered payroll | N/A | N/A | N/A |
| Net pension liability as a percentage of covered payroll | N/A | N/A | N/A |
| Expected average remaining service years for all participants | 4 | 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 5.66% as of June 30, 2018, to 6.28% as of June 30, 2019.

**Police and Firemen's Retirement System (PFRS)**

***Changes of Benefit Terms***

None.

***Changes of Assumptions***

The discount rate changed from 6.51% as of June 30, 2018, to 6.85% as of June 30, 2019.

**State Health Benefit Local Retired Employees Plan (OPEB)**

***Changes of Benefit Terms***

None.

***Changes of Assumptions***

The discount rate changed from 3.87% as of June 30, 2018, to 3.58% as of June 30, 2019.

**Length of Service Awards Program (LOSAP)**

***Changes of Benefit Terms***

None.

***Changes of Assumptions***

The discount rate changed from 3.42% as of December 31, 2018 to 3.48% as of December 31, 2019.

**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, 2019

| Project Title/Issue | Original Date | Appropriations | Expenditures to Date: Prior Years | Expenditures to Date: Current Year | Unexpended Balance December 31, 2019 |
|---|---|---|---|---|---|
| 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 | $ 3,562,000 | $ 3,542,921 | $ - | $ 19,079 |

**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, 2019**

| Issue | Date of Issue | Amount of Issue | Annual Maturities Date | Annual Maturities Amount | Interest Rate | Balance January 1, 2019 | Issued | Retired | Balance December 31, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| General Obligation Bonds, 2006 | 8/3/06 | $ 2,500,000 | 8/1/20 | 330,000 | 4.500% | 990,000 | - | 320,000 | 670,000 |
| | | | 8/1/21 | 340,000 | 4.500% | | | | |
| | | | | | Total | $ 990,000 | $ - | $ 320,000 | $ 670,000 |

**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, 2019**

| Description | Date of Lease | Term of Lease | Amount of Original Issue Principal | Amount of Original Issue Interest | Interest Rate Payable | Amount Outstanding January 1, 2019 | Issued | Retired | Amount Outstanding December 31, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Fire Truck 1016 - Lease 2013 | 9/13/13 | 7 years | $ 920,000 | $ 82,337 | 2.19% | $ 277,242 | $ - | $ 137,119 | $ 140,123 |
| Fire Truck 1011 - Lease 2014 | 01/15/14 | 5 years | 475,000 | 32,538 | 2.25% | 99,462 | - | 99,462 | - |
| Radios - Lease 2016 | 02/23/16 | 3 years | 240,065 | 13,812 | 2.85% | 82,280 | - | 82,280 | - |
| Fire Truck 1031 - Lease 2016 | 05/15/16 | 5 years | 507,000 | 36,140 | 2.34% | 311,207 | - | 101,346 | 209,861 |
| Fire Truck 1026 - Lease 2017 | 1/24/2017 | 7 years | 916,952 | 74,427 | 1.99% | 793,574 | - | 125,833 | 667,741 |
| Fire Truck 1038 - Lease 2017 | 12/14/2017 | 10 years | 779,833 | 114,004 | 2.55% | 779,833 | - | 69,045 | 710,788 |
| Fire Truck 1022 - Lease 2019 | 04/08/2019 | 5 years | 590,000 | 53,411 | 2.96% | - | 590,000 | - | 590,000 |
| | | | | | Total | $ 2,343,598 | $ 590,000 | $ 615,085 | $ 2,318,513 |

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HMA
HOLT MCNALLY & ASSOCIATES
Certified Public Accountants & Advisors

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, 2019. 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.

618 Stokes Road, Medford, NJ 08055
**P:** 609.953.0612 • **F:** 609.257.0008
www.hmacpainc.com

**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.

**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.

Holt McNally & Associates, Inc.

**HOLT MCNALLY & ASSOCIATES, INC.**
*Certified Public Accountants & Advisors*

Medford, New Jersey
August 4, 2020