

**TOWNSHIP OF GLOUCESTER  
FIRE DISTRICT NO. 2**

**BLACKWOOD, NEW JERSEY  
CAMDEN COUNTY**



**REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**FIRE DISTRICT NO. 2  
TOWNSHIP OF GLOUCESTER, NEW JERSEY  
Roster of Officials and Surety Bonds**

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**Board of Commissioners**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Surety Bond</u></b>
George H. Genzel	Chairman	(A)
Raymond W. Evans	Secondary Chairman	(A)
Kevin Donahue	Secretary/ Treasurer	(B)
Joseph Reichert	Commissioner	(A)
Larry Grady	Commissioner	(A)

**Other Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Surety Bond</u></b>
William Robb	Administrator	(A)
Kenneth Young	Fire Official	(A)

(A) Emergency Services Insurance Program supplied by VFIS provides an Employee Dishonesty blanket bond in the amount of \$200,000.00.

(B) Emergency Services Insurance Program supplied by VFIS provides a Public Employee Dishonesty Position Bond in the amount of \$200,000.00.

**FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 2  
Township of Gloucester  
Blackwood, New Jersey 08012

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Emphasis of Matter***

*Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the Fire District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

*Prior Period Restatement*

Because of the implementation of GASB Statement No. 75, net position as of December 31, 2017 on the statement of net position has been restated, as discussed in note 19 to the financial statements. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Fire District's proportionate share of the net pension liability, schedule of the Fire District's pension contributions, schedule of Fire District's proportionate share of the net OPEB liability, and schedule of the Fire District's OPEB contributions, 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's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019 on our consideration of the Township of Gloucester Fire District No. 2'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Gloucester Fire District No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Gloucester Fire District No. 2's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
September 11, 2019

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 2  
Township of Gloucester  
Blackwood, New Jersey 08012

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated September 11, 2019. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Gloucester Fire District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Gloucester Fire District No. 2'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Gloucester Fire District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and which is described in the accompanying *Schedule of Findings and Questioned Costs*, as finding no. 2018-001.

### The Township of Gloucester Fire District No. 2's Response to Findings

The Township of Gloucester Fire District No. 2's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Fire District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
September 11, 2019

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
(Unaudited)

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As management of the Township of Gloucester Fire District No. 2 (the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Fire District's financial performance.

### Financial Highlights

- The net position of the Fire District, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, totaled a deficit of (\$1,411,869.62) at December 31, 2018. At December 31, 2017 a deficit of (\$1,600,219.11) existed.
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$1,137,681.32, an increase of \$119,340.88 in comparison with the prior year which was \$1,018,340.44. The increase was attributable to the results of operations in the General Fund.
- At the end of the current year, fund balance in the general fund was \$1,137,681.32 of which \$607,696.76 is restricted for future capital outlays, \$45,730.08 and \$273,982.00 is assigned for use in the subsequent year's budget and encumbrances respectively. \$210,272.48 is unassigned. At December 31, 2017 fund balance in the general fund was \$1,018,340.44.

### USING THIS REPORT OF AUDIT

This report of audit consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Fire District as a whole and present a longer-term view of the Fire District's finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Fire District's operations in more detail than the government-wide statements by providing information about the Fire District's most significant funds.

#### Reporting the Fire District as a Whole

One of the most important questions asked about the Fire District's finances is, "Is the Fire District as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Fire District as a whole and about its activities in a way that helps answer this question.

These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Fire District's *net position* and changes in it. You can think of the Fire District's net position - which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources - as one way to measure the Fire District's financial health, or *financial position*. Over time, *increases or decreases* in the Fire District's net position is one indicator of whether its *financial health* is improving or deteriorating.

You will need to consider other nonfinancial factors, however, such as changes in the Fire District's property tax base and the condition of the Fire District's capital assets, to assess the *overall health* of the Fire District.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
(Unaudited)

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**USING THIS REPORT OF AUDIT (CONT'D)**

Reporting the Fire District's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the Fire District as a whole. 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. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District are in one category: governmental funds. The Fire District has no proprietary funds.

*Governmental funds* - governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Fire District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund, which are all considered to be major funds.

The Fire District adopts an annual budget for its general fund, debt service fund and when applicable, its special revenue fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

In addition to governmental funds, the Fire District also reports a fiduciary fund. Fiduciary funds are used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service.

*Notes to the Financial Statements* - the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**THE FIRE DISTRICT AS A WHOLE**

During 2018, the Fire District's net position increased by \$188,349.49, increasing from (\$1,600,219.11) in 2017 to (\$1,411,869.62) in 2018. Net position at December 31, 2017 was restated due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Refer to note 19 of the Notes to the Financial Statements for more information on the restatement. The following analysis focuses on the net position (Table A-1 and A-2) and changes in net position (Table A-3) for the Fire District's governmental activities.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
(Unaudited)

**USING THIS REPORT OF AUDIT (CONT'D)**

THE FIRE DISTRICT AS A WHOLE (CONT'D)

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

	<u>2018</u>	<u>2017</u> (Restated)
Cash and Cash Equivalents	\$ 1,156,240.08	\$ 1,168,183.27
Accounts Receivable	26,215.00	
Prepaid Expenses	19,480.70	
Capital Assets	<u>1,048,222.39</u>	<u>881,516.58</u>
<b>Total Assets</b>	<u>2,250,158.17</u>	<u>2,049,699.85</u>
Deferred Outflow of Resources -		
Related to Pensions	459,848.00	323,994.00
Related to Other Postemployment Benefits	<u>260,284.11</u>	<u>248,430.00</u>
<b>Total Deferred Outflows of Resources</b>	<u>720,132.11</u>	<u>572,424.00</u>
Noncurrent Liabilities	3,023,083.14	3,294,376.13
Other Liabilities	<u>226,830.76</u>	<u>292,102.83</u>
<b>Total Liabilities</b>	<u>3,249,913.90</u>	<u>3,586,478.96</u>
Deferred Inflows of Resources -		
Related to Pensions	579,528.00	463,083.00
Related to Other Postemployment Benefits	<u>552,718.00</u>	<u>172,781.00</u>
<b>Total Deferred Inflows of Resources</b>	<u>1,132,246.00</u>	<u>635,864.00</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	1,048,222.39	881,516.58
Restricted for Capital Projects	607,696.76	507,696.76
Unrestricted (Deficit)	<u>(3,067,788.77)</u>	<u>(2,989,432.45)</u>
<b>Total Net Position (Deficit)</b>	<u>\$ (1,411,869.62)</u>	<u>\$ (1,600,219.11)</u>

In total, assets increased by \$200,458.32. The overall cash position of the Fire District decreased by (\$11,943.19) from December 31, 2017 as a result of the 2018 operations in the governmental activities. Deferred outflows increased \$147,708.11 as a result of GASB 68 for the Fire District's participation in various pension plans, and from the Fire District's implementation of GASB 75 for its participation in other post-employment benefits. In addition, during 2018, capital assets (net) increased by \$166,705.81 from changes that included depreciation on the Fire District's capital assets of \$103,325.87 and the purchase of a new airpack units and tool packages for \$272,884.00.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2018  
 (Unaudited)

**USING THIS REPORT OF AUDIT (CONT'D)**

**THE FIRE DISTRICT AS A WHOLE (CONT'D)**

Overall liabilities decreased by (\$336,565.06) mostly as a result of net pension liabilities and other postemployment benefits liabilities. See note 10 in the notes to the financial statements for details on the Fire District's participation in GASB 75, other postemployment benefits. The Fire District's participation in the pension plans and other postemployment benefits caused an increase of \$25,532.00 and a decrease of (\$311,855.00), respectively.

Deferred inflows of resources increased by \$496,382.00 as a result of GASB 68 for the Fire District's participation in various pension plans and GASB 75 for the Fire District's participation in other postemployment benefits.

A significant portion of the Fire District's total net position at the end of the current year reflects its net investment in capital assets (i.e., buildings, vehicles, etc.), which totaled \$1,048,222.39. This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets. The Fire District uses these assets to provide firefighting services to the residents of the Fire District; consequently, these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional component of the Fire District's net position represents resources that are restricted, which totaled \$607,696.76. This amount is restricted for future capital outlay.

The final component of net position is unrestricted. This component represents resources and uses that do not meet the criteria of the aforementioned two components of net position. At the end of the current year, the Fire District's unrestricted net position was a deficit of (\$3,067,788.77). The primary reason for the deficit is GASB 68 for the Fire District's participation in the various pension plans.

Table A-2 provides an illustration of the impact of the Fire District's Net Position for the implementation of GASB 68 and the implementation of GASB 75.

**Table A-2**  
**Statement of Net Position - Effect of Pension Related Items**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Change</u>	<u>% Change</u>
Deferred Outflow s Related to Pensions	\$ 459,848.00	\$ 323,994.00	\$ 135,854.00	41.93%
Less: Net Pension Liability	(1,679,900.00)	(1,654,368.00)	(25,532.00)	1.54%
Less: Deferred Inflow s Related to Pensions	(260,284.11)	(463,083.00)	202,798.89	-43.79%
	<u>\$ (1,480,336.11)</u>	<u>\$ (1,793,457.00)</u>	<u>\$ 313,120.89</u>	<u>-0.32%</u>

**Statement of Net Position - Effect of Other Postemployment Benefits (OPEB) Related Items**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Change</u>	<u>% Change</u>
Deferred Outflow s Related to OPEB	\$ 260,284.11	\$ 248,430.00	\$ 11,854.11	4.77%
Less: Net OPEB Liability	(1,244,849.00)	(1,556,704.00)	311,855.00	-20.03%
Less: Deferred Inflow s Related to OPEB	(552,718.00)	(172,781.00)	(379,937.00)	219.90%
	<u>\$ (1,537,282.89)</u>	<u>\$ (1,481,055.00)</u>	<u>\$ (56,227.89)</u>	<u>204.63%</u>

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2018  
 (Unaudited)

**USING THIS REPORT OF AUDIT (CONT'D)**

THE FIRE DISTRICT AS A WHOLE (CONT'D)

Table A-3 reflects changes in net position for the years 2018 and 2017.

**Table A-3**  
**Statements of Activities**

	<u>2018</u>	<u>2017</u> (Restated)
Expenses		
Operating Expenses		
Administration	\$ 197,233.06	\$ 158,030.86
Cost of Operations and Maintenance	1,647,064.38	1,469,029.00
Operating Appropriations Offset with Revenues	51,732.39	35,736.98
Length of Service Awards Program (LOSAP)	22,400.00	23,550.00
Equipment Purchased on Behalf of Other Local Fire Districts	1,376,329.19	
Total Program Expenses	3,294,759.02	1,686,346.84
Less Program Revenues		
Charges for Services	37,305.35	38,621.48
Capital Contributions	202,259.06	
Operating Grants and Contributions	1,494,032.00	114,324.93
Net Program Expenses	1,561,162.61	1,533,400.43
General Revenues		
Property Taxes, Levied for General Purposes	1,700,000.00	1,700,051.00
Miscellaneous Income	49,512.10	16,582.93
Total General Revenues	1,749,512.10	1,716,633.93
Increase (Decrease) in Net Position	188,349.49	183,233.50
Net Position, January 1 (Deficit)	(1,600,219.11)	(302,397.61)
Ending Net Position, Prior to Restatement	(1,411,869.62)	(119,164.11)
Restatement to Record the Fire District's Net Other Post-Employment Benefits (OPEB) Liability and OPEB Related Deferred Outflows of Resources per GASB 75		(1,481,055.00)
Net Position, December 31 (Deficit)	\$ (1,411,869.62)	\$ (1,600,219.11)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
(Unaudited)

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**USING THIS REPORT OF AUDIT (CONT'D)**

**THE FIRE DISTRICT AS A WHOLE (CONT'D)**

During 2018, the Fire District's total expenses increased by \$1,608,412.18, increasing from \$1,686,346.84 in 2017 to \$3,294,759.02 in 2018. The net increase in total expenses is mainly attributable to increases of expenses incurred in administrating a FEMA grant which included purchasing equipment on behalf of other Fire Districts and the cost of Operations and Maintenance which are 41.77% and 49.99% respectively, of all expenses.

During 2018, the Fire District's total revenues increased by \$1,411,269.11, increasing from \$1,869,580.34 in 2017 to \$3,280,849.45 in 2018. The net increase in total revenues is largely attributable to receiving FEMA grants, including one grant which included the purchasing equipment on behalf of other Fire Districts. Property taxes were \$1,700,000.00 and represent 51.82% of all revenues.

**THE FIRE DISTRICT'S FUNDS**

**Governmental Funds**

At the close of the current year the Fire District reported a *combined* ending fund balance of \$1,137,681.32, which is more than the previous year's total of \$1,018,340.44. Of the aforementioned combined ending fund balance, an unassigned fund balance existed in the amount of \$210,272.48. The remainder of fund balance is restricted or assigned to indicate that it is not available for new spending because it has already been earmarked as follows: (1) restricted designated for future capital outlays \$607,696.76; or (2) assigned to the 2018 budget for subsequent year's expenditures and encumbrances \$273,982.00 and \$45,730.08 respectively.

*General Fund* - The general fund is the general operating fund of the Fire District and is used to account for the inflows and outflows its of financial resources. The acquisition of certain capital assets, such as equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures. At the end of the current fiscal year, the Fire District has an unassigned fund balance of \$210,272.48, a restricted fund balance of \$607,696.76, and a fund balance of \$273,982.00 and \$45,730.08 assigned to the 2018 budget for subsequent year's expenditures and encumbrances respectively.

*Special Revenue Fund* - The Fire District received two FEMA grants, the SAFER Grant and the Assistance to Firefighters Grant. The SAFER Grant revenue totaled \$83,201.36 in the current year and expended \$83,201.36 on a firefighter's salary and benefits. The Assistance to Firefighters Grant revenue, including matching funds, totaled \$1,413,704.00 in the current year and expended \$1,413,704.00 on SCBA Airpack units. There was no fund balance at December 31, 2018 and 2017.

*Capital Projects Fund* - The Fire District had no capital projects fund activity for the current year and no fund balance at December 31, 2018 or 2017.

*Debt Service Fund* - The Fire District had no debt service fund activity for the current year and no fund balance at December 31, 2018 or 2017.

**General Fund Budgetary Highlights**

For the year 2018, the Fire District's budget, as approved by the voters, included a budgetary basis revenue estimate of \$2,008,241.00. It was not amended.

In the 2018 budget, the Fire District budgeted \$1,700,000.00 for property taxes (local tax levy), \$40,000.00 for various Uniform Fire Safety Act revenues, \$900.00 for permits, \$10,600.00 for various other miscellaneous revenues, \$7,473.00 in state aid revenues for a supplemental fire services grant, and \$84,349.00 for the FEMA SAFER grant. The final budgetary basis expenditure appropriation estimate was \$2,008,241.00.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2018  
 (Unaudited)

**USING THIS REPORT OF AUDIT (CONT'D)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The Fire District's investment in capital assets for its governmental activities as of December 31, 2018 was \$1,048,222.39 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and apparatus and equipment. Some of the vehicles and equipment owned by the Fire District have been fully depreciated over time so are not reflected in the balances for Table A-4 below.

**Table A-4**  
**Capital Assets**  
**(Net of Accumulated Depreciation)**

	<u>2018</u>	<u>2017</u>
Land	\$ 68,627.24	\$ 68,627.24
Land Improvements	25,616.82	27,844.37
Buildings and Improvements	496,746.73	517,479.35
Vehicles and Apparatus	198,447.24	220,806.33
Equipment	<u>258,784.36</u>	<u>46,759.30</u>
	<u>\$ 1,048,222.39</u>	<u>\$ 881,516.58</u>

Additional information on the Fire District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities

At December 31, 2018, the Fire District had no long-term debt. The Fire District's long-term liabilities were as follows:

*Compensated Absences* - In accordance with the labor agreement, the Fire District recognized a liability for compensated absences at December 31, 2018 in the amount of \$98,334.13. This liability represents the Fire District's contractual obligation to compensate employees for accumulated unused sick leave, vacations, personal and other compensated time.

*Net Pension Liability* - The Fire District's annual required contribution to the pension systems are budgeted and paid on an annual basis. For additional details on the net pension liability, see the notes to the financial statements.

*Other Post-Employment Benefits* - The Fire District's annual required contribution to other post-employment benefits are budgeted and paid on an annual basis. For additional details on the net other post-employment benefits liability, see the notes to the financial statements, note 10.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
(Unaudited)

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**USING THIS REPORT OF AUDIT (CONT'D)**

**Economic Factors and Next Year's Budget**

For the 2018 year, the Fire District was able to sustain its budget through the fire district tax levy, state aid, and miscellaneous revenue sources. The 2018 budget was adopted on January 10, 2018 by the Commissioners, and the voters subsequently approved the budget at the annual fire district election held on February 17, 2018.

**Requests for Information**

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the Fire District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to William Robb, Administrator, at Gloucester Township Fire District No. 2, 43 Somerdale Road, Blackwood NJ, 08012.

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2

Statement of Net Position

December 31, 2018

## ASSETS:

Cash and Cash Equivalents	\$ 548,543.32
Accounts Receivable (Note 4)	26,215.00
Prepaid Expenses	19,480.70
Restricted Assets:	
Restricted Cash and Cash Equivalents	607,696.76
Capital Assets, net (Note 5)	<u>1,048,222.39</u>
Total Assets	<u>2,250,158.17</u>

## DEFERRED OUTFLOWS OF RESOURCES:

Related to Pensions (Note 8)	459,848.00
Related to Other Post-Employment Benefits (OPEB) (Note 10)	<u>260,284.11</u>
Total Deferred Outflows Of Resources	<u>720,132.11</u>

## LIABILITIES:

Accounts Payable:	
Other	44,773.76
Pensions	121,371.00
Accrued Liabilities:	
Pensions	60,686.00
Noncurrent Liabilities (Note 6):	
Due within One Year	19,874.78
Due beyond One Year	<u>3,003,208.36</u>
Total Liabilities	<u>3,249,913.90</u>

## DEFERRED INFLOWS OF RESOURCES

Related to Pensions (Note 8)	579,528.00
Related to Other Post-Employment Benefits (OPEB) (Note 10)	<u>552,718.00</u>
Total Deferred Inflows Of Resources	<u>1,132,246.00</u>

## NET POSITION:

Net Investment in Capital Assets	1,048,222.39
Restricted for:	
Capital Projects	607,696.76
Unrestricted (Deficit)	<u>(3,067,788.77)</u>
Total Net Position (Deficit)	<u>\$ (1,411,869.62)</u>

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

## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2

## Statement of Activities

For the Year Ended December 31, 2018

Expenses:	
Operating Appropriations:	
Administration	\$ 197,233.06
Cost of Operations and Maintenance	1,647,064.38
Operating Appropriations Offset with Revenues	51,732.39
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)	22,400.00
Equipment Purchased on Behalf of Other Local Fire Districts	<u>1,376,329.19</u>
Total Program Expenses	<u>3,294,759.02</u>
Program Revenues:	
Charges for Services	37,305.35
Capital Contributions	202,259.06
Operating Grants and Contributions	<u>1,494,032.00</u>
Net Program Expenses	<u>1,561,162.61</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,700,000.00
Miscellaneous Income	<u>49,512.10</u>
Total General Revenues	<u>1,749,512.10</u>
Change in Net Position	<u>188,349.49</u>
Net Position, January 1 (Deficit)	(119,164.11)
Prior Period Adjustment (Note 19)	<u>(1,481,055.00)</u>
Net Position, January 1 (Deficit) (Restated)	<u>(1,600,219.11)</u>
Net Position, December 31 (Deficit)	<u>\$ (1,411,869.62)</u>

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

**FUND FINANCIAL STATEMENTS**

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**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Governmental Funds  
 Balance Sheet  
 December 31, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,156,240.08				\$ 1,156,240.08
Intergovernmental Accounts Receivable:					
Federal		\$ 26,215.00			26,215.00
Due From Special Revenue Fund	26,215.00				26,215.00
<b>Total Assets</b>	<b>\$ 1,182,455.08</b>	<b>\$ 26,215.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,208,670.08</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 40,358.37				\$ 40,358.37
Payroll Deductions Payable	4,415.39				4,415.39
Due to General Fund		\$ 26,215.00			26,215.00
<b>Total Liabilities</b>	<b>44,773.76</b>	<b>26,215.00</b>			<b>70,988.76</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Future Capital Outlays	607,696.76				607,696.76
<b>Assigned:</b>					
Other Purposes	45,730.08				45,730.08
Subsequent Year's Expenditures	273,982.00				273,982.00
<b>Unassigned:</b>					
General Fund	210,272.48				210,272.48
<b>Total Fund Balances</b>	<b>1,137,681.32</b>				<b>1,137,681.32</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,182,455.08</b>	<b>\$ 26,215.00</b>	<b>\$ -</b>	<b>\$ -</b>	

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Governmental Funds  
 Balance Sheet  
 December 31, 2018

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,500,400.02 and the accumulated depreciation is \$2,452,177.63.

Deferred outflows and deferred inflows related to pensions and other post employment benefits represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore such amounts are not reported in the fund financial statements.

Accounts payable and accrued expenses related to pensions are not liquidated with current financial resources; therefore, such amounts are not recorded in the fund financial statements.

Long-term liabilities, including compensated absences, pension liability, and postemployment benefits payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net position of governmental activities

Total Governmental <u>Funds</u>
\$ 1,048,222.39
(412,113.89)
(162,576.30)
<u>(3,023,083.14)</u>
<u>\$ (1,411,869.62)</u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues	\$ 1,010.90				\$ 1,010.90
Operating Grant Revenue	7,473.45	\$ 1,459,530.55			1,467,004.00
Miscellaneous Revenues Offset with Appropriations	37,305.35				37,305.35
Amount to be Raised by Taxation to Support the District Budget	1,700,000.00				1,700,000.00
Non-Budgetary Revenues	48,501.20				48,501.20
	<u>1,794,290.90</u>	<u>1,459,530.55</u>			<u>3,253,821.45</u>
<b>Total Revenues</b>					
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration	197,054.02				197,054.02
Cost of Operations and Maintenance	1,333,138.67	83,201.36			1,416,340.03
Operating Appropriations Offset with Revenues	51,732.39				51,732.39
Length of Service Awards Program (LOSAP)	22,400.00				22,400.00
Capital Appropriations:					
Equipment	33,250.13	37,374.81			70,624.94
Equipment Purchased on Behalf of Other Local Fire Districts		1,376,329.19			1,376,329.19
	<u>1,637,575.21</u>	<u>1,496,905.36</u>			<u>3,134,480.57</u>
<b>Total Expenditures</b>					
Excess (Deficiency) of Revenues over Expenditures	<u>156,715.69</u>	<u>(37,374.81)</u>			<u>119,340.88</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers: Grant Match Funds	<u>(37,374.81)</u>	37,374.81			
<b>Total Other Financing Sources and Uses</b>	<u>(37,374.81)</u>	<u>37,374.81</u>			
<b>Net Change in Fund Balances</b>	119,340.88				119,340.88
Fund Balance, January 1	<u>1,018,340.44</u>				<u>1,018,340.44</u>
Fund Balance, December 31	<u>\$ 1,137,681.32</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,137,681.32</u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	119,340.88
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Revenue recognized from non-employer special funding situations with pension plans (long-term liability) is not recognized as revenue in the fund financial statements but is recognized as revenue from contributions in the statement of activities.		27,028.00
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	\$ (103,325.87)	
Capital Outlays	<u>70,624.94</u>	
		(32,700.93)
In the statement of activities, only the gain on the disposal of capital assets is reported. Thus, the change in net position will differ from the change in fund balance by the cost of the asset removed. (-)		(2,852.32)
Certain Federal Grants allow local governments to enter into Memorandum Of Understandings with other local governments to purchase equipment specific to providing effective firefighting services in which they cover a percentage of the cost, and the grant funds received by the leading local government cover the rest. The assets are reported on the governmental funds of the local government as expenditures. The statement of net position, however, reports the assets at their acquisition value. The amount of which the fair market value exceeds the expenditures in this period is reported as a contribution on the Statement of Activities.		202,259.06
In the statement of activities, certain operating expenses, (e.g., compensated absences, pensions, and other post-employment benefits) are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).		<u>(124,725.20)</u>
Change in Net Position of Governmental Activities	\$	<u>188,349.49</u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**Fiduciary Fund  
Agency Fund  
Balance Sheet  
December 31, 2018

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	Length of Service Awards Program
ASSETS:	
Investments	\$ 131,250.10
Total Assets	<u>\$ 131,250.10</u>
LIABILITIES:	
Due to Volunteers	\$ 131,250.10
Total Liabilities	<u>\$ 131,250.10</u>

The accompanying notes to financial statements are an integral part of this statement.

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**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**

Notes to Financial Statements  
For the Year Ended December 31, 2018

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Township of Gloucester Fire District No. 2 (the "Fire District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Description of the Financial Reporting Entity**

The Fire District is a political subdivision of the Township of Gloucester (the "Township"), Camden County, New Jersey. The Township is comprised of an area of approximately 23.26 square miles. It is bounded by the Boroughs of Runnemede and Magnolia to the north, Gloucester County to the west, the Township of Winslow to the south and the Boroughs of Somerdale, Stratford, Hi-Nella, Lindenwold, Pine Hill, and Clementon on the east. As of the 2010 United States Census, the Township's population was 64,634. The Fire District was formed in January of 1957 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location. The Fire District has one fire company within its jurisdiction, the Chews Landing Fire Company.

The primary criterion for including activities within the Fire District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Fire District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The financial statements include all funds of the Fire District over which the Board of Commissioners exercises operating control.

**Component Units**

In evaluating how to define the Fire District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Component Units (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fire District has no component units.

**Government-wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. The Fire District's operations consist of governmental activities, which normally are supported by property taxes and intergovernmental revenues. The Fire District has no business-type activities, which rely to a significant extent on fees and charges for support. If the Fire District had business-type activities, such activities would be reported separately from governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Fire District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes (ad valorem) are recognized as revenues in the year for which they are levied, as under New Jersey State Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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

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

The Fire District reports the following major governmental funds:

**General Fund** - The general fund is the primary operating fund of the Fire District. It is used to account for all financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as firefighting apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

**Special Revenue Fund** - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Capital Projects Fund** - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The financial resources are derived from temporary notes and general obligation bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

In addition to governmental funds, the Fire District also reports a fiduciary fund. Fiduciary funds are used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains an agency fund, which is a fund used to account for funds that are held for other parties and that cannot be used to finance the Fire District's own operating programs. The Fire District's agency fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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

**Budgets / Budgetary Control**

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

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A. 40A:14-78.5.

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

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

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1 and exhibit C-2 includes all amendments and modifications to the adopted budget as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Encumbrances**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Encumbrances (Cont'd)**

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at year-end.

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

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

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

**Inventories**

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

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

**Prepaid Expenses**

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

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Short-Term Interfund Receivables / Payables**

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Fire District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances.

**Capital Assets**

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

The Fire District's capitalization threshold is \$5,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 Years
Buildings and Improvements	10-50 Years
Vehicles and Apparatus	5-10 Years
Equipment	5-20 Years

The Fire District does not possess any infrastructure assets.

**Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Fire District is required to report the following as deferred outflows of resources and deferred inflows of resources: defined benefit pension plans and postemployment benefit plans.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Compensated Absences**

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Fire District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Fire District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The Fire District uses the vesting to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

**Pensions**

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

**Other Postemployment Benefits Plan Fiduciary Net Position**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Position (Cont'd)**

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

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

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

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

**Fund Balance**

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

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

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Fund Balance (Cont'd)**

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

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

**Interfund Activity**

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

**Accounting Estimates**

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

**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

The Fire District implemented the following GASB Statements for the year ended December 31, 2018:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of adopting this Statement totaled \$(1,481,055.00), and was recognized as a restatement of the Fire District's December 31, 2017 net position on the statement of activities (see note 19).

Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the basic financial statements of the Fire District.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements during the year ended December 31, 2018 that will become effective for the Fire District in future years as shown below:

Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Fire District in the year ending December 31, 2019. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Fire District.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the Fire District in the year ending December 31, 2020. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Fire District.

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2018, the Fire District's bank balances of \$1,180,150.06 were fully insured.

**Restricted Cash and Cash Equivalents** - At December 31, 2018, the government-wide financial statements reported restricted cash and cash equivalents. This amount \$607,696.76, represents cash and cash equivalents held for future capital outlays.

**Note 3: PROPERTY TAX LEVIES**

Following is a tabulation of Fire District assessed valuations, tax levies, and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2018	\$ 1,165,011,800.00	\$ 1,700,000.00	\$ 0.146
2017	1,166,973,700.00	1,700,051.00	0.146
2016	1,175,806,700.00	1,717,051.00	0.147
2015	1,190,330,700.00	1,717,050.00	0.145
2014	1,195,573,300.00	1,777,050.00	0.149

**Note 4: ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2018 consisted of amounts owed for reimbursement for federal grant expenditures. All receivables are considered collectible.

Accounts receivable as of year-end for the Fire District's individual major funds, in the aggregate, is as follows:

	<u>Governmental Fund Types</u>				<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
Intergovernmental:					
Federal		\$ 26,215.00			\$ 26,215.00
Total	\$ -	\$ 26,215.00	\$ -	\$ -	\$ 26,215.00

**Note 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 is as follows:

	<u>Balance</u> <u>Jan. 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Capital Assets that are not being Depreciated:				
Land	\$ 68,627.24			\$ 68,627.24
Total Capital Assets not being Depreciated	<u>68,627.24</u>			<u>68,627.24</u>
Capital Assets that are being Depreciated:				
Land Improvements	44,551.00			44,551.00
Buildings and Improvements	680,997.88			680,997.88
Vehicles and Apparatus	2,249,799.27		\$ (67,285.27)	2,182,514.00
Equipment	250,825.90	\$ 272,884.00		523,709.90
Total Capital Assets being Depreciated	<u>3,226,174.05</u>	<u>272,884.00</u>	<u>(67,285.27)</u>	<u>3,431,772.78</u>
Total Capital Assets, Cost	<u>3,294,801.29</u>	<u>272,884.00</u>	<u>(67,285.27)</u>	<u>3,500,400.02</u>
Less Accumulated Depreciation for:				
Land Improvements	(16,706.63)	(2,227.55)		(18,934.18)
Buildings and Improvements	(163,518.53)	(20,732.62)		(184,251.15)
Vehicles and Apparatus	(2,028,992.95)	(19,506.76)	64,432.95	(1,984,066.76)
Equipment	(204,066.60)	(60,858.94)		(264,925.54)
Total Accumulated Depreciation	<u>(2,413,284.71)</u>	<u>(103,325.87)</u>	<u>64,432.95</u>	<u>(2,452,177.63)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	<u>812,889.34</u>	<u>169,558.13</u>	<u>(2,852.32)</u>	<u>979,595.15</u>
Capital Assets, Net	<u>\$ 881,516.58</u>	<u>\$ 169,558.13</u>	<u>\$ (2,852.32)</u>	<u>\$ 1,048,222.39</u>

\* Depreciation expense was charged to functions / programs of the Fire District as follows:

Cost of Operations and Maintenance	<u>\$ 103,325.87</u>
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**Note 6: LONG-TERM LIABILITIES**

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

	<u>Balance</u> <u>Jan. 1, 2018</u> (Restated)	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due within</u> <u>One Year</u>
Other Liabilities:					
Compensated Absences	\$ 83,304.13	\$ 15,030.01		\$ 98,334.14	\$ 19,874.78
Net Pension Liability	1,654,368.00	1,003,005.00	(977,473.00)	1,679,900.00	
Other Postemployment Benefits	1,556,704.00	528,853.00	(840,708.00)	1,244,849.00	
Total Other Liabilities	<u>3,294,376.13</u>	<u>1,546,888.01</u>	<u>(1,818,181.00)</u>	<u>3,023,083.14</u>	<u>19,874.78</u>
Governmental Activities Long-Term Liabilities	<u>\$ 3,294,376.13</u>	<u>\$ 1,546,888.01</u>	<u>\$ (1,818,181.00)</u>	<u>\$ 3,023,083.14</u>	<u>\$ 19,874.78</u>

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 13 for a description of the Fire District's policy.

**Net Pension Liability** - For details on the net pension liability, refer to note 8. The Fire District's annual required contribution to the Public Employees' Retirement System and the Police and Firemen's Retirement System is budgeted and paid from the general fund on an annual basis.

**Postemployment Benefits** - For details on postemployment benefits, refer to note 10. The Fire District's annual required contribution to the postemployment benefits plan is budgeted and paid from the general fund on an annual basis.

**Note 7: OPERATING LEASES**

For the period January 1, 2018 through December 31, 2018, the Fire District had an operating lease agreement in effect for the rental of the Chews Landing Fire Company Building. Rental payments under this operating lease for the year ended December 31, 2018 were \$68,250.00.

**Note 8: PENSION PLANS**

A substantial number of the Fire District's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan, is also available to certain employees. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and PFRS plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans****Plan Descriptions**

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Fire District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

**Police and Firemen's Retirement System** - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the Fire District. The PFRS' Board of Trustees is primarily responsible for the administration of the PFRS.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefit Provisions**

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

The following represents the membership tiers for PERS:

**Tier Definition**

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - Service retirement benefits of 1/55<sup>th</sup> 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<sup>th</sup> 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 years or more 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.

**Police and Firemen's Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

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 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 of 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.

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the Fire District had no contractually required contribution to the pension plan for the year ended December 31, 2018. Based on the PERS measurement date of June 30, 2017, the Fire District had no contractually required contribution to the pension plan for the year ended December 31, 2017. For the year ended December 31, 2018, the Fire District had no employees enrolled in PERS. As a result, there were no employee contributions.

**Police and Firemen's Retirement System** - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was 10% in State fiscal year 2018. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

*Special Funding Situation Component* - 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 nonemployer 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 or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The Fire District's contractually required contribution rate for the year ended December 31, 2018 was 28.01% of the Fire District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2018, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$121,371.00, and was payable by April 1, 2019. Based on the PFRS measurement date of June 30, 2017, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$94,840.00, which was paid on April 1, 2018. Employee contributions to the plan during the year ended December 31, 2018 were \$43,331.40.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Fire District, for the year ended December 31, 2018 was 3.12% of the Fire District's covered payroll.

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - Based on the most recent PFRS measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2018 was \$13,514.00, and was payable by April 1, 2019. Based on the PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2017 was \$9,266.00, and was paid by April 1, 2018.

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Fire District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2018, the Fire District had no employees enrolled in the Defined Contribution Plan.

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

**Public Employees' Retirement System** - At December 31, 2018, the Fire District's proportionate share of the PERS net pension liability was \$0.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Fire District had no proportion, which was the same from its proportion measured as of June 30, 2017.

At December 31, 2018, the Fire District's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2018 measurement date was \$(42,099.00).

**Police and Firemen's Retirement System** - At December 31, 2018, the Fire District's and State of New Jersey's proportionate share of the PFRS net pension liability was as follows:

Fire District's Proportionate Share of Net Pension Liability	\$ 1,679,900.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Fire District	<u>228,187.00</u>
	<u>\$ 1,908,087.00</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined.

**Note 8: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - For the June 30, 2018 measurement date, the Fire District's proportion was .0124145994%, which was an increase of .0016984387% from its proportion measured as of June 30, 2017. Likewise, at June 30, 2018, the State of New Jersey's proportion, on-behalf of the Fire District, was .0124145994%, which was an increase of .0016984387% from its proportion, on-behalf of the Fire District, measured as of June 30, 2017.

At December 31, 2018, the Fire District's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$182,858.00.

At December 31, 2018, the State's proportionate share of the PFRS pension expense, associated with the Fire District, calculated by the Plan as of the June 30, 2018 measurement date is \$27,028.00. This on-behalf expense has been recognized by the Fire District in the government-wide financial statements.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2018, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ -	\$ 17,091.00	\$ 17,091.00	\$ -	\$ 6,952.00	\$ 6,952.00
Changes of Assumptions	-	144,197.00	144,197.00	-	430,529.00	430,529.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	-	9,191.00	9,191.00
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	1,745.00	236,129.00	237,874.00	111,054.00	21,802.00	132,856.00
Fire District Contributions Subsequent to the Measurement Date	-	60,686.00	60,686.00	-	-	-
	<u>\$ 1,745.00</u>	<u>\$ 458,103.00</u>	<u>\$ 459,848.00</u>	<u>\$ 111,054.00</u>	<u>\$ 468,474.00</u>	<u>\$ 579,528.00</u>

\$60,686.00 for PFRS, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. This amount was based on an estimated April 1, 2020 contractually required contribution, prorated from the pension plans measurement date of June 30, 2018 to the Fire District's year end of December 31, 2018.

**Note 8: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The Fire District will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	PERS		PFRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
June 30, 2017	5.48	-	5.59	-
June 30, 2018	-	5.63	5.73	-
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
June 30, 2017	-	5.48	-	5.59
June 30, 2018	-	5.63	-	5.73
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	5.00	-	5.00	-
June 30, 2016	5.00	-	5.00	-
June 30, 2017	-	5.00	-	5.00
June 30, 2018	-	5.00	-	5.00
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58
June 30, 2017	5.48	5.48	5.59	5.59
June 30, 2018	5.63	5.63	5.73	5.73

**Note 8: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<b>Year Ending Dec 31,</b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>	<b><u>Total</u></b>
2019	\$ (42,099.00)	\$ 67,014.20	\$ 24,915.20
2020	(42,580.00)	(5,396.20)	(47,976.20)
2021	(24,630.00)	(95,465.10)	(120,095.10)
2022	-	(43,892.00)	(43,892.00)
2023	-	6,682.10	6,682.10
	<u>\$ (109,309.00)</u>	<u>\$ (71,057.00)</u>	<u>\$ (180,366.00)</u>

**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

**Note 8: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

For PERS, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For PFRS, preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvements assumed. Post-retirement mortality rates for male service retirements are based the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvements assumed.

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

**Note 8: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

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

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66% for PERS and 6.51% for PFRS. For both PERS and PFRS, the respective single blended discount rates were based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through 2046 for PERS and through 2062 for PFRS; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046 for PERS and through 2062 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Note 8: PENSION PLANS (CONT'D)****Sensitivity of Fire District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

**Public Employees' Retirement System (PERS)** - The following presents the Fire District's proportionate share of the net pension liability at June 30, 2018, the Plan's measurement date, calculated using a discount rate of 5.66%, as well as what the Fire District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<b>PERS</b>		
	<b>1% Decrease (<u>4.66%</u>)</b>	<b>Current Discount Rate (<u>5.66%</u>)</b>	<b>1% Increase (<u>6.66%</u>)</b>
Fire District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -

**Police and Firemen's Retirement System (PFRS)** - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the Fire District's annual required contribution. As such, the net pension liability as of June 30, 2018, the Plan's measurement date, for the Fire District and the State of New Jersey, calculated using a discount rate of 6.51%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>PFRS</b>		
	<b>1% Decrease (<u>5.51%</u>)</b>	<b>Current Discount Rate (<u>6.51%</u>)</b>	<b>1% Increase (<u>7.51%</u>)</b>
Fire District's Proportionate Share of the Net Pension Liability	\$ 2,248,338.00	\$ 1,679,900.00	\$ 1,211,042.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Fire District	<u>305,399.98</u>	<u>228,187.00</u>	<u>164,500.35</u>
	<u>\$ 2,553,737.98</u>	<u>\$ 1,908,087.00</u>	<u>\$ 1,375,542.35</u>

**Note 9: LENGTH OF SERVICE AWARDS PROGRAM**

**Plan Description** - The Fire District's length of service awards program (the "Plan"), which is a defined contribution plan reported in the Fire District's fiduciary fund as an agency fund, was created by a Fire District Resolution adopted on November 13, 2013 pursuant to Section 457(e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The accumulated assets of the Plan are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

The voters of the Fire District approved the adoption of the Plan at the general election held on February 15, 2014, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2014. The Plan provides tax deferred income benefits to active volunteer firefighters, and is administered by Lincoln National Life Insurance Company ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The Fire District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

The tax deferred income benefits for emergency service volunteers of the Township of Gloucester Fire District No. 2, consisting of the volunteer fire department, come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of the Plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**Plan Amendments** - The Fire District may make minor amendments to the provisions of the Plan at any time, provided, however, that no amendment affects the rights of participants or their beneficiaries regarding vested accumulated deferrals at the time of the amendment. The Plan can only be amended by resolution of the governing body of the Fire District, and the following procedures must be followed: (a) any amendment to the Plan shall be submitted for review and approval by the Director of Local Government Services, State of New Jersey (the "Director") prior to implementation by the Fire District's governing body, provided, however, that any amendment required by the IRS, may be adopted by the Fire District's governing body without the advance approval of the Director (although such amendment shall be filed with the Director); (b) the documentation submitted to the Director shall identify the regulatory authority for the amendment and the specific language of the change; and (c) the Fire District shall adopt the amendment by resolution of the governing body, and a certified copy of the resolution shall be forwarded to the Director. The Fire District may amend the Plan agreement to accommodate changes in the Internal Revenue Code, Federal statutes, state laws or rules or operational experience. In cases of all amendments to the Plan, the Fire District shall notify all participants in writing prior to making any amendment to the Plan.

**Contributions** - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Fire District elected to contribute between \$600.00 and \$1,150.00 for the year ended December 31, 2018, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Fire District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the Plan Administrator.

For the year ended December 31, 2018, the Fire District's expense, net of forfeitures of \$33,115.01, and outstanding liability related to the Plan was \$(10,715.01) and \$0.00, respectively.

**Note 9: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

**Participant Accounts** - Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Fire District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the Plan participants and their beneficiaries. The contributions from the Fire District to the Plan, and the related earnings, are not irrevocable, and such funds are not legally protected from the creditors of the Fire District. These funds, however, are not available for funding the operations of the Fire District.

**Vesting** - The Fire District, in accordance with N.J.S.A. 40A:14-188 and N.J.A.C. 5:30-11.63 may make a yearly contribution to the length of service awards program account in the deferred income program for an active volunteer who has satisfied the requirements for receipt of an award, but the volunteer shall not be able to receive a distribution of the funds until the completion of a five year vesting period or be in accordance with changes to vesting conveyed through the issuance of a Local Finance Notice and/or publication of a public notice in the New Jersey Register, with payment of that benefit only being as otherwise permitted by the Plan.

**Payment of Benefits** - Upon separation from volunteer service, retirement or disability, termination of the Plan, participants may select various payout options of vested accumulated deferrals, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

**Forfeited Accounts** - For the year ended December 31, 2018, there were a total of 17 forfeited accounts totaling \$33,115.01.

**Investments** - The investments of the length of service awards program reported on the fiduciary fund balance sheet are recorded at fair value.

**Plan Information** - Additional information about the Fire District's length of service awards program can be obtained by contacting the Plan Administrator.

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS****General Information about the OPEB Plan**

**Plan Description and Benefits Provided** - The Fire District contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which 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. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. 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>.

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****General Information about the OPEB Plan (Cont'd)**

**Plan Description and Benefits Provided (Cont'd)** - The Plan provides medical and prescription drug benefit coverage to retirees and their covered dependents of the 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.

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.

**Contributions** - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Fire District was billed monthly by the Plan and paid \$63,513.00 for the year ended December 31, 2018, representing 14.66% of the Fire District's covered payroll. During the year ended December 31, 2018, retirees were not required to make a contribution.

*Special Funding Situation Component* - The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1997, as disclosed below. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis. Partially funded benefits are also available to local police officers and firefighters who retire with 25 years of service or on disability from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Upon retirement, these individuals must enroll in the OPEB plan.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80% of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. 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.

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****General Information about the OPEB Plan (Cont'd)**

**Contributions (Cont'd)** - Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

The Fire District does not have a Special Funding Situation within the Plan.

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

**OPEB Liability** - At December 31, 2018 the Fire District's proportionate share of the net OPEB liability was \$1,210,246.00.

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The Fire District's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the Fire District's proportion was .007725%, which was an increase of .000100% from its proportion measured as of the June 30, 2017 measurement date.

**OPEB Expense** - At December 31, 2018, the Fire District's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2018 measurement date was \$85,138.00.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2018, the Fire District had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ -	\$ 245,723.00
Changes of Assumptions	-	306,995.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	640.00	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	232,805.00	-
Fire District Contributions Subsequent to the Measurement Date	26,839.11	-
	<u>\$ 260,284.11</u>	<u>\$ 552,718.00</u>

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - \$26,839.11 reported as deferred outflows of resources resulting from the Fire District's contributions subsequent to the measurement date will be included as a reduction of the Fire District's net OPEB liability during the year ending December 31, 2019. The Fire District will amortize the above other deferred outflows of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

<b>Year Ending Dec. 31,</b>	
2019	\$ (43,029.00)
2020	(43,029.00)
2021	(43,029.00)
2022	(43,097.00)
2023	(43,206.00)
Thereafter	<u>(103,883.00)</u>
	<u>\$ (319,273.00)</u>

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Actuarial Assumptions**

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2018 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

\* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pay interest to participants on a monthly basis.

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

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

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Sensitivity of the net OPEB Liability to Changes in the Discount Rate**

The Fire District's proportionate share of the net OPEB liability as of June 30, 2018, the Plan's measurement date, calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Fire District's Proportionate Share of the Net OPEB Liability	\$ 1,419,939.00	\$ 1,210,246.00	\$ 1,042,749.00

**Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The Fire District's proportionate share of the net OPEB Liability as of June 30, 2018, the Plan's measurement date, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Fire District's Proportionate Share of the Net OPEB Liability	\$ 1,009,539.00	\$ 1,210,246.00	\$ 1,469,990.00

**General Information about the OPEB Plan**

**Plan Description** - The Fire District's defined benefit OPEB plan provides OPEB for all permanent full-time administrative and firefighting employees of the Fire District. The plan is a single-employer defined benefit OPEB plan and is administered by the Fire District. The Board of Fire Commissioners of the Fire District has the authority to establish and amend the benefit terms and financing requirements of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

**Benefits Provided** - The plan provides dental benefits for retirees and their dependents. The benefit terms provide for payment of 100 percent (100%) of dental insurance premiums for all eligible retirees.

**Employees Covered by Benefit Terms** - As of December 31, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	2
Active Employees	<u>6</u>
Total	<u><u>8</u></u>

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Total OPEB Liability**

The Fire District's total OPEB liability of \$34,603.00 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs** - The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

***Mortality*** – Mortality rates are based on the RP-2000 Combined Mortality Table for Males and Females as appropriate.

***Discount Rate*** – Future costs have been discounted at the rate of 3.64% compounded annually. The rate is based upon the S&P Municipal Bond 20 Year High Grade Rate Index which consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years as of December 2018. Eligible bonds are rated at least AA by Standard and Poor's Ratings Service, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating was used. Prior to 2017, an interest rate of 5% was assumed.

***Turnover*** – Terminations of employment other than for death or retirement will occur in the future in accordance with the U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Retirement System.

***Disability*** – The actuary has assumed no terminations of employment due to disability. Retirees resulting from a disability were factored into the determination of age at retirement.

***Age at Retirement*** – Active participants, on average, will receive their benefits when eligible but no earlier than age 55.

***Spousal Coverage*** – Married employees will remain married.

***Health Care Cost Inflation*** – Health care gross costs will increase at an annual rate of 5.0% for Pre-Medicare medical benefits and 5.0% for Post-Medicare medical benefits.

The actuary has used their professional judgement in applying these assumptions to this Plan.

**Changes in Total OPEB Liability**

Balance December 31, 2017		\$	34,535.00
Changes for the Year:			
Service Cost	\$	1,727.00	
Interest Cost		1,227.00	
Benefit Payments		(2,886.00)	
Actuarial Assumption Changes		-	
Actuarial Demographic Gains		-	
Net Changes			<u>68.00</u>
Balance December 31, 2018		\$	<u>34,603.00</u>

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Changes in Total OPEB Liability (Cont'd)**

Changes of benefit terms reflect no increase in the retirees' share of health insurance premiums.

Since this is the first OPEB actuarial valuation, there were no changes in assumptions.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following presents the total OPEB liability of the Fire District, as well as what the Fire District's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher (4.64 percent) than the current discount rate:

	<b>1.00% Decrease (2.64%)</b>	<b>Current Discount Rate (3.64%)</b>	<b>1.00% Increase (4.64%)</b>
Total OPEB Liability	\$ 37,560	\$ 34,603	\$ 31,935

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the total OPEB liability of the Fire District, as well as what the Fire District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1.00% Decrease (4.00%)</b>	<b>Healthcare Cost Trend Rates 5.00%</b>	<b>1.00% Increase (6.00%)</b>
Total OPEB Liability	\$ 31,260.00	\$ 34,603.00	\$ 38,499.00

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the Fire District recognized OPEB expense of \$2,954.00. At December 31, 2018, the Fire District reported no deferred outflows of resources and no deferred inflows of resources related to OPEB due to this being the first actuarial valuation.

**Note 11: RISK MANAGEMENT**

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

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

**New Jersey Unemployment Compensation Insurance** - The Fire District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contribution Method". Under this method, a contribution rate is established annually for the Fire District's share of unemployment tax. The rate is based on the cost experience for all government employees.

**Note 12: DEFERRED COMPENSATION**

The Fire District offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors. Since the Fire District does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Fire District's financial statements.

**Note 13: COMPENSATED ABSENCES**

The Fire District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The Administrator is entitled to ten (10) paid sick leave days and seventeen (18) vacation days each year. Sick leave days may be accumulated and carried forward year to year with no limitation. Vacation days may be carried over for one year. Annual vacation leave not used within the current year can be reimbursed monetarily, up to two (2) weeks. Upon retirement, sick and vacation days will only be paid out based on the unused days accumulated during the year of retirement at the retirement rate of pay.

All full-time fire fighters are entitled to thirteen sick days per year. Vacation days are earned based on years of service ranging from one week up to six weeks. Sick leave hours may be carried forward without limitation. Vacation days not used during the year may be carried forward up to one year. Vacation leave not used within the current year can also be reimbursed monetarily up to two weeks. Upon retirement accumulated sick days and vacation days will be paid based upon retirement rate of pay. Unused sick leave shall be a maximum compensation of \$15,000.00.

Part-time employees are not compensated for absences.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2018, the liability for compensated absences reported on the government-wide statement of net position was \$98,334.14.

**Note 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances at December 31, 2018 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 26,215.00	
Special Revenue		\$ 26,215.00
Totals	<u>\$ 26,215.00</u>	<u>\$ 26,215.00</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the year 2019, the Fire District expects to liquidate such interfunds, depending upon the availability of cash flow.

Transfers:

<u>Transfer Out:</u>	<u>Transfers In:</u>
	<u>Special Revenue Fund</u>
General Fund	<u>\$ 37,374.81</u>
Total Transfers	<u>37,374.81</u>

The transfer above reflects grant matching funds budgeted in the general fund and transferred to the special revenue fund

**Note 15: CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Fire District expects such amount, if any, to be immaterial.

**Note 16: CONCENTRATIONS**

A significant source of revenue for the Fire District comes from its ability to levy property taxes (see note 1 for detail on property taxes). The ability to levy property taxes, and the limits to which property taxes can be levied, are promulgated by State statute. As a result of this dependency, the Fire District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

**Note 17: FUND BALANCES APPROPRIATED - GENERAL FUND**

The 2019 annual budget of the Fire District was adopted on January 9, 2019, and subsequently approved by the voters at the annual election held on February 16, 2019. The adopted budget utilized \$273,982.00 of fund balance in the general fund.

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2018	\$ 1,137,681.32	\$ 273,982.00
2017	1,018,340.44	164,919.00
2016	841,498.88	160,165.00
2015	1,072,444.86	274,457.00
2014	518,721.03	272,227.00

**Note 18: FUND BALANCES****RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

**General Fund -**

**Capital Projects (Future Capital Outlays)** - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2018, the balance is \$607,696.76.

**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

**General Fund**

**For Subsequent Year's Expenditures** - The Fire District has appropriated and included as an anticipated revenue for the year ending December 31, 2019, \$273,982.00 of general fund balance at December 31, 2018.

**Other Purposes** - As of December 31, 2018, the Fire District had \$45,730.08 of encumbrances outstanding for purchase orders and contracts signed by the Fire District, but not completed, as of the close of the year.

**Note 18: FUND BALANCES (CONT'D)****UNASSIGNED**

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

**General Fund** - As of December 31, 2018, \$210,272.48 of general fund balance was unassigned.

**Note 19: RESTATEMENT OF PRIOR PERIOD NET POSITION**

The Fire District restated its net position as of December 31, 2017 as a result of implementing GASB 75, Other Postemployment Benefits. The cumulative effect on the financial statements as reported for December 31, 2017 is as follows:

	Governmental <u>Activities</u>
Beginning Net Position as Previously Reported at December 31, 2017	\$ (119,164.11)
Prior Period Adjustment(s):	
<i>Net Other Post Employment Benefits (OPEB) at June 30, 2017 Measurement Date</i>	\$ (1,556,704.00)
<i>Deferred Outflows of Resources per June 30, 2017 OPEB Reports</i>	248,430.00
<i>Deferred Inflows of Resources per June 30, 2017 OPEB Reports</i>	<u>(172,781.00)</u>
Total Prior Period Adjustment(s)	<u>(1,481,055.00)</u>
Net Position as Restated, December 31, 2017	<u>\$ (1,600,219.11)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART II**

**BUDGETARY COMPARISON SCHEDULES**

DRAFT

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues:					
Interest on Investments and Deposits	\$ 600.00		\$ 600.00	\$ 1,010.90	\$ 410.90
Other Revenues	10,000.00		10,000.00		(10,000.00)
<b>Total Miscellaneous Anticipated Revenues</b>	<b>10,600.00</b>		<b>10,600.00</b>	<b>1,010.90</b>	<b>(9,589.10)</b>
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	7,473.00		7,473.00	7,473.45	0.45
<b>Total Operating Grant Revenue</b>	<b>7,473.00</b>		<b>7,473.00</b>	<b>7,473.45</b>	<b>0.45</b>
Miscellaneous Revenues Offset with Appropriations:					
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Annual Registration Fees	15,000.00		15,000.00	11,563.35	(3,436.65)
Penalties and Fines				544.00	544.00
Other Revenues	25,000.00		25,000.00	24,294.00	(706.00)
<b>Total Uniform Fire Safety Act (P.L. 1983, Ch.383)</b>	<b>40,000.00</b>		<b>40,000.00</b>	<b>36,401.35</b>	<b>(3,598.65)</b>
Other Revenues Offset with Appropriations:					
Permits	900.00		900.00	904.00	4.00
<b>Total Miscellaneous Revenues Offset with Appropriations</b>	<b>40,900.00</b>		<b>40,900.00</b>	<b>37,305.35</b>	<b>(3,594.65)</b>
Amount to be Raised by Taxation to Support the District Budget	1,700,000.00		1,700,000.00	1,700,000.00	
<b>Total Anticipated Revenues</b>	<b>1,758,973.00</b>		<b>1,758,973.00</b>	<b>1,745,789.70</b>	<b>(13,183.30)</b>
Non-Budgetary Revenues:					
LOSAP Forfeitures				33,115.01	33,115.01
Miscellaneous				15,386.19	15,386.19
<b>Total Non-Budgetary Revenues</b>				<b>48,501.20</b>	<b>48,501.20</b>
<b>Total Revenues</b>	<b>1,758,973.00</b>		<b>1,758,973.00</b>	<b>1,794,290.90</b>	<b>35,317.90</b>

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	\$ 22,000.00		\$ 22,000.00	\$ 22,000.00	
Administrator	81,600.00		81,600.00	81,569.64	\$ 30.36
Fire Prevention Clerk	16,973.00	\$ 5,360.78	22,333.78	21,539.42	794.36
Fringe Benefits	12,508.00	369.92	12,877.92	11,883.80	994.12
Other Expenses:					
Election	1,300.00	52.57	1,352.57	1,352.57	
Subscriptions	2,894.00	1,109.74	4,003.74	4,003.74	
Office Expenses	7,000.00	43.21	7,043.21	6,330.74	712.47
Professional Services	73,710.00	(11,675.06)	62,034.94	43,493.82	18,541.12
Miscellaneous	1,000.00		1,000.00	219.67	780.33
Other Assets - Non-Bondable					
Computers	17,000.00		17,000.00	4,660.62	12,339.38
<b>Total Administration</b>	<b>235,985.00</b>	<b>(4,738.84)</b>	<b>231,246.16</b>	<b>197,054.02</b>	<b>34,192.14</b>
Cost of Operations and Maintenance:					
Salary and Wages:					
Fire Official Funded by Taxation	55,015.00		55,015.00	55,015.00	
Firefighter	84,946.00	11,421.20	96,367.20	96,367.20	
Firefighter	86,387.00	9,315.20	95,702.20	95,702.20	
Firefighter	82,608.00	6,968.70	89,576.70	89,576.70	
Firefighter	1,726.79	1,836.41	3,563.20	3,563.20	
Firefighter	44,354.00	1,327.62	45,681.62	45,681.62	
Overtime, Holiday and Vacation Payout	46,506.00	(14,815.54)	31,690.46	30,282.94	1,407.52
Substitutes and Overnight Duty Crew	23,800.00	(9,767.97)	14,032.03	13,588.00	444.03
Fringe Benefits	404,433.85	(14,642.07)	389,791.78	389,791.78	

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance (Cont'd):					
Other Expenses:					
Supplemental Fire Services Grant Expenditures	\$ 7,473.00		\$ 7,473.00		
Fire Prevention - Promotion	21,000.00	\$ (1,429.09)	19,570.91	\$ 18,984.20	\$ 586.71
Advertising	900.00		900.00	603.76	296.24
Insurance	45,000.00	7,792.70	52,792.70	52,792.70	
Maintenance and Repairs - Buildings and Grounds	224,500.00	(1,770.43)	222,729.57	125,657.74	97,071.83
Rental Charges	188,250.00		188,250.00	172,238.83	16,011.17
Supplies	9,500.00	1,770.43	11,270.43	10,770.43	500.00
Training and Education	26,700.00	(4,957.50)	21,742.50	16,011.91	5,730.59
Uniforms	18,055.00		18,055.00	7,823.93	10,231.07
Utilities	51,800.00	(43.21)	51,756.79	49,593.04	2,163.75
Reimbursements / Incentive Program	18,825.00		18,825.00	18,825.00	
Other Assets - Non-Bondable					
Fire Equipment	81,175.00		81,175.00	72,819.16	8,355.84
Grant Match	10,000.00		10,000.00		10,000.00
Radios	8,000.00		8,000.00	699.46	7,300.54
<b>Total Cost of Operations and Maintenance</b>	<b>1,540,954.64</b>	<b>(6,993.55)</b>	<b>1,533,961.09</b>	<b>1,366,388.80</b>	<b>160,099.29</b>
Operating Appropriations Offset with Revenues:					
Fire Official Funded by FSA	40,000.00	11,732.39	51,732.39	51,732.39	
Other Expenses	900.00		900.00		900.00
<b>Total Operating Appropriations Offset with Revenues</b>	<b>40,900.00</b>	<b>11,732.39</b>	<b>52,632.39</b>	<b>51,732.39</b>	<b>900.00</b>
<b>Length of Service Awards Program (LOSAP)</b>	<b>30,000.00</b>		<b>30,000.00</b>	<b>22,400.00</b>	<b>7,600.00</b>

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Capital Appropriations:					
Reserve for Future Capital Outlays	\$ 100,000.00		\$ 100,000.00		\$ 100,000.00
Total Capital Appropriations	<u>100,000.00</u>		<u>100,000.00</u>		<u>100,000.00</u>
 Total Expenditures	 <u>1,947,839.64</u>		 <u>1,947,839.64</u>	 \$ 1,637,575.21	 <u>302,791.43</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(188,866.64)</u>		<u>(188,866.64)</u>	156,715.69	<u>338,109.33</u>
Other Financing Sources (Uses):					
Operating Transfer to Special Revenue Fund - Grant Match	<u>(37,364.94)</u>		<u>(37,364.94)</u>	<u>(37,374.81)</u>	<u>(9.87)</u>
Total Other Financing Sources (Uses)	<u>(37,364.94)</u>		<u>(37,364.94)</u>	<u>(37,374.81)</u>	<u>(9.87)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (226,231.58)</u>	<u>\$ -</u>	<u>\$ (226,231.58)</u>	119,340.88	<u>\$ 338,099.46</u>
Fund Balance, Beginning				<u>1,018,340.44</u>	
Fund Balance, Ending				<u>\$ 1,137,681.32</u>	
Recapitulation:					
Restricted:					
Future Capital Outlays				\$ 607,696.76	
Assigned:					
Year End Encumbrances				45,730.08	
Subsequent Year's Expenditures				273,982.00	
Unassigned				<u>210,272.48</u>	
				<u>\$ 1,137,681.32</u>	

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part II  
 Special Revenue Fund  
 Budgetary Comparison Schedule  
 For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Operating Grant Revenue:					
FEMA Grants:					
Assistance to Firefighters Grant				\$ 1,194,313.00	\$ (1,194,313.00)
Matching Funds (Other Local Fire Districts)				182,016.19	(182,016.19)
SAFER Grant	\$ 84,349.00		\$ 84,349.00	83,201.36	1,147.64
Total Operating Grant Revenue	<u>84,349.00</u>		<u>84,349.00</u>	<u>1,459,530.55</u>	<u>(1,375,181.55)</u>
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Cost of Operations and Maintenance:					
Salaries and Wages:					
Firefighter	45,217.85		45,217.85	44,070.21	1,147.64
Fringe Benefits	39,131.15		39,131.15	39,131.15	
Total Cost of Operations	<u>84,349.00</u>		<u>84,349.00</u>	<u>83,201.36</u>	<u>1,147.64</u>
Capital Appropriations:					
Equipment				37,374.81	(37,374.81)
Equipment Purchased on Behalf of other Local Fire Districts				1,376,329.19	(1,376,329.19)
Total Capital Appropriations				<u>1,413,704.00</u>	<u>(1,413,704.00)</u>
Total Expenditures	<u>84,349.00</u>		<u>84,349.00</u>	<u>1,496,905.36</u>	<u>(1,412,556.36)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				<u>(37,374.81)</u>	<u>37,374.81</u>
Other Financing Sources (Uses):					
Operating Transfer from General Fund - Grant Match				37,374.81	(37,374.81)
Total Other Financing Sources (Uses)				<u>37,374.81</u>	<u>(37,374.81)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, Beginning				<u>-</u>	
Fund Balance, Ending				<u>\$ -</u>	

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**

Required Supplementary Information - Part II

Budgetary Comparison Schedule

Note to Required Supplementary Information

For the Year Ended December 31, 2018

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 1,794,290.90	\$ 1,459,530.55
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<hr/>	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u><u>\$ 1,794,290.90</u></u>	<u><u>\$ 1,459,530.55</u></u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 1,637,575.21	\$ 1,496,905.36
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u><u>\$ 1,637,575.21</u></u>	<u><u>\$ 1,496,905.36</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

**SCHEDULES RELATED TO ACCOUNTING  
AND REPORTING FOR PENSIONS**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Six Plan Years

	<u>Measurement Date Ended June 30,</u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	(1)	(1)	(1)	0.0012117732%	0.0011967701%	0.0011762761%
Fire District's Proportionate Share of the Net Pension Liability	(1)	(1)	(1)	\$ 272,019.00	\$ 224,068.00	\$ 224,810.00
Fire District's Covered Payroll (Plan Measurement Period)	(1)	(1)	(1)	\$ 83,592.00	\$ 82,764.00	\$ 81,144.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	(1)	(1)	(1)	325.41%	270.73%	277.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

(1) Beginning with the year ended December 31, 2015, the Fire District had no employees in the Public Employees' Retirement System and therefore the Fire District has no proportionate share beginning with the year ended December 31, 2016.

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2

Required Supplementary Information - Part III

Schedule of the Fire District's Contributions

Public Employees' Retirement System (PERS)

Last Six Years

	Year Ended December 31,					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	(1)	(1)	(1)	\$ 10,418.00	\$ 9,866.00	\$ 8,863.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(10,418.00)</u>	<u>(9,866.00)</u>	<u>(8,863.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered Payroll (Calendar Year)	(1)	(1)	(1)	(1)	\$ 83,385.00	\$ 82,764.00
Fire District's Contributions as a Percentage of its Covered Payroll	(1)	(1)	(1)	(1)	11.83%	10.71%

(1) Beginning with the year ended December 31, 2015, the Fire District had no employees in the Public Employees' Retirement System

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability  
 Police and Firemen's Retirement System (PFRS)  
 Last Six Plan Years

	<u>Measurement Date Ended June 30,</u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0124145994%	0.0107161607%	0.0109113910%	0.0109529320%	0.0108513679%	0.0103982064%
Fire District's Proportionate Share of the Net Pension Liability	\$ 1,679,900.00	\$ 1,654,368.00	\$ 2,084,355.00	\$ 1,824,377.00	\$ 1,365,001.00	\$ 1,382,348.00
State's Proportionate Share of the Net Pension Liability associated with the Fire District	<u>228,187.00</u>	<u>185,303.00</u>	<u>175,034.00</u>	<u>159,992.00</u>	<u>146,988.00</u>	<u>128,852.00</u>
Total	<u>\$ 1,908,087.00</u>	<u>\$ 1,839,671.00</u>	<u>\$ 2,259,389.00</u>	<u>\$ 1,984,369.00</u>	<u>\$ 1,511,989.00</u>	<u>\$ 1,511,200.00</u>
Fire District's Covered Payroll (Plan Measurement Period)	\$ 385,164.00	\$ 393,256.00	\$ 393,256.00	\$ 393,256.00	\$ 389,296.00	\$ 372,432.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	436.15%	420.68%	530.02%	463.92%	350.63%	371.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Contributions  
 Police and Firemen's Retirement System (PFRS)  
 Last Six Years

	<u>Year Ended December 31,</u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 121,371.00	\$ 94,840.00	\$ 88,965.00	\$ 89,031.00	\$ 83,346.00	\$ 75,863.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(121,371.00)</u>	<u>(94,840.00)</u>	<u>(88,965.00)</u>	<u>(89,031.00)</u>	<u>(83,346.00)</u>	<u>(75,863.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered Payroll (Calendar Year)	\$ 433,314.00	\$ 388,501.00	\$ 402,775.00	\$ 393,256.00	\$ 393,256.00	\$ 390,286.00
Fire District's Contributions as a Percentage of its Covered Payroll	28.01%	24.41%	22.09%	22.64%	21.19%	19.44%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Required Supplementary Information - Part III  
Notes to Required Supplementary Information - Part III  
For the Year Ended December 31, 2018

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Public Employees' Retirement System (PERS)

*Changes in Benefit Terms:*

None

*Changes in Assumptions:*

The Discount Rate changed at June 30th over the following years: 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017, and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years: 7.90% 2014 and 2015, 7.65% 2016, and 7.00% 2017 and 2018.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

Police and Firemen's Retirement System (PFRS)

*Changes in Benefit Terms:*

In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

*Changes in Assumptions:*

The Discount Rate changed at June 30th over the following years: 6.32% 2014, 5.79% 2015, 5.55% 2016, 6.14% 2017, and 6.51% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years: 7.90% 2014 and 2015, 7.65% 2016, and 7.00% 2017 and 2018.

For 2016, the mortality improvement scale incorporated the Plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART IV**

**SCHEDULES RELATED TO OTHER  
POSTEMPLOYMENT BENEFIT PLANS**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**Required Supplementary Information - Part IV  
Schedule of Changes in the Fire District's  
Total OPEB Liability and Related Ratios

	Year Ended December 31,
	<u>2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 1,727.00
Interest	1,227.00
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	<u>(2,886.00)</u>
Net Change in Total OPEB Liability	68.00
Total OPEB Liability, January 1,	<u>34,535.00</u>
Total OPEB Liability, December 31,	<u><u>\$ 34,603.00</u></u>
Covered-Employee Payroll	\$ 433,314.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.99%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part IV  
 Schedule of the Fire District's Proportionate Share of the Net OPEB Liability  
 Last Two Plan Years

	<u>Measurement Date Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Fire District's Proportion of the Net OPEB Liability	0.00773%	0.00763%
Fire District's Proportionate Share of the Net OPEB Liability	\$ 1,210,246.00	\$ 1,556,704.00
Fire District's Covered Payroll (Plan Measurement Period)	\$ 411,860.00	\$ 388,718.00
Fire District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	293.85%	400.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.03%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information - Part IV  
 Schedule of the Fire District's OPEB Contributions  
 Last Two Plan Years

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
Fire District's Required Contributions	\$ 63,513.00	\$ 65,152.44
Fire District's Contributions in Relation to the Required Contribution	<u>(63,513.00)</u>	<u>(65,152.44)</u>
Fire District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered Payroll (Calendar Year)	\$ 433,314.00	\$ 388,501.00
Fire District's Contributions as a Percentage of Covered Payroll	14.66%	16.77%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Required Supplementary Information - Part IV  
Notes to Required Supplementary Information - Part IV  
For the Year Ended December 31, 2018

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A. Fire District Postemployment Health Benefit Plan

*Changes in Benefit Terms:*

None.

*Changes in Assumptions:*

Since this is the first OPEB actuarial valuation there were no changes in assumptions.

B. State Health Benefits Local Government Retired Employees Plan

*Changes in Benefit Terms:*

None

*Changes in Assumptions:*

In 2017, the discount rate changed to 3.58% from 2.85%. In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

DRAFT

**SINGLE AUDIT SECTION**

DRAFT

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 2  
Township of Gloucester  
Blackwood, New Jersey 08012

**Report on Compliance for Each Major Federal Program**

We have audited the Township of Gloucester Fire District No. 2's, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Fire District's major federal program for the year ended December 31, 2018. The Fire District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Fire District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fire District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Township of Gloucester Fire District No. 2's, in the County of Camden, State of New Jersey, compliance.

***Opinion on Each Major Federal Program***

In our opinion, Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

**Report on Internal Control over Compliance**

Management of the Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fire District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township of Gloucester Fire District No. 2's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program or Award Amount	Matching Contribution	Grant Period	
					From	To
Special Revenue Fund:						
<u>U.S. Department of Homeland Security</u>						
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW2015FH00288	\$ 197,766.00	N/A	2-20-17	2-19-19
Total Safer Grant						
Assistance to Firefighters Grant	97.044	EMW2016FR00268	1,194,313.00	\$ 219,391.00	9-15-17	9-14-18
Total Assistance to Firefighter Grant						
Total U.S. Department of Homeland Security and Total Federal Financial Assistance						

The accompanying Notes to Financial Statements and Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

<u>Balance</u> <u>December 31, 2017</u>	<u>Receipts</u> <u>or Revenue</u> <u>Recognized</u>	<u>Total</u> <u>Federal</u> <u>Disbursements/</u> <u>Expenditures</u>	<u>Passed -</u> <u>Through to</u> <u>Subrecipients</u>	<u>Adjustments</u>	<u>Balance</u> <u>December 31, 2018</u>	<u>(Memo Only)</u>	
						<u>Cash</u> <u>Receipts</u>	<u>Accumulated</u> <u>Expenditures</u>
\$ (23,725.99)	\$ 80,712.35	\$ (83,201.36)			\$ (26,215.00)	\$ 80,712.35	\$ 83,201.36
<u>(23,725.99)</u>	<u>80,712.35</u>	<u>(83,201.36)</u>			<u>(26,215.00)</u>	<u>80,712.35</u>	<u>83,201.36</u>
	<u>1,413,704.00</u>	<u>(1,413,704.00)</u>				<u>1,413,704.00</u>	<u>1,413,704.00</u>
	<u>1,413,704.00</u>	<u>(1,413,704.00)</u>				<u>1,413,704.00</u>	<u>1,413,704.00</u>
<u>\$ (23,725.99)</u>	<u>\$ 1,494,416.35</u>	<u>\$ (1,496,905.36)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,215.00)</u>	<u>\$ 1,494,416.35</u>	<u>\$ 1,496,905.36</u>

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

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**Note 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards ("the schedule") includes federal award activity of the Township of Gloucester Fire District No. 2 (hereafter referred to as the "Fire District"). The Fire District is defined in note 1 to the Fire District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule. Because the schedule presents only a selected portion of the operations of the Fire District, it is not intended to and does not present the financial position and changes in operations of the Fire District.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule is presented using the modified accrual basis of accounting. This basis of accounting is described in note 1 to the Fire District's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Single Audit Policy for Recipients of Federal Grants*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**Note 3: INDIRECT COST RATE**

The Fire District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

**Note 5: MAJOR PROGRAMS**

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

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***Section 2 - Schedule of Financial Statement Findings***

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

**Finding No. 2018-001**

**Criteria or Specific Requirement**

N.J.S.A. 40A:14-78.5 provides that following the final approval of a budget by the Board of Fire Commissioners, the Director of the Division of Local Government Services (DLGS) may approve a budget amendment to provide for the anticipation of revenue from a public or private funding source which was not known at the time the budget was approved, and the appropriation thereof, provided the amount of the appropriation does not exceed the amount of the revenue received.

**Condition**

The Fire District expended an unbudgeted FEMA grant award without receiving approval from the DLGS to amend their 2018 approved budget for the inclusion of the grant.

**Context**

Our audit of budget compliance noted that the Fire District did not include a revenue and appropriation for a FEMA grant award in their 2018 Adopted Budget, nor did they receive proper approval from the DLGS to amend the 2018 budget for the grant award, but expended the award in full.

**Effect**

Noncompliance with N.J.S.A. 40A:14-78.5.

**Cause**

The Fire District did not properly budget a FEMA grant award before expending the grant.

**Recommendation**

The Board of Fire Commissioners should review all award notices while creating their Fire District budget and properly request approval for budget amendments when receiving grant award notices before expending such awards.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding. During the creation of the Fire District budget, the Board of Fire Commissioners will review all current award notices to ensure inclusion in the annual budget. Subsequent to the adoption of the budget, approval will be requested for any budget amendments prior to expending such awards.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

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***Section 3- Schedule of Federal Award Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

None.

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**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

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***Section 4 - Schedule of State Financial Assistance Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

Not Applicable.

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**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Summary Schedule of Prior Year Audit Findings  
and Recommendations as Prepared by Management

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

**FINANCIAL STATEMENT FINDINGS**

None.

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**APPRECIATION**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

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