

# **TOWNSHIP OF HADDON FIRE DISTRICT No. 1**

**WESTMONT, NEW JERSEY  
CAMDEN COUNTY**



**REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2019**

**FIRE DISTRICT NO. 1  
TOWNSHIP OF HADDON, NEW JERSEY**

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TOWNSHIP OF HADDON, NEW JERSEY**

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**FIRE DISTRICT NO. 1  
TOWNSHIP OF HADDON, 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>
Henry E. Voigtberger	Chairman	(A)
William G Tessing, IV	Vice Chairman	(A)
William G. Tessing, III	Treasurer	(A)
Franklin P. Jackson, V	Secretary	(A)
Joseph P. Piscopio	Commissioner	(A)

(A) FIRST Responders Joint Insurance Fund provides blanket employee dishonesty coverage in the amount of \$1,000,000.00.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 1  
Township of Haddon  
Westmont, New Jersey 08108

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Haddon Fire District No. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the 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 unmodified and qualified audit opinions.

## **Opinions**

### ***Basis for Qualified Opinion on Governmental Activities***

The Fire District did not have an actuarial study performed in accordance with Governmental Accounting Standards Board No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for postemployment dental benefits. Accounting principles generally accepted in the United States of America require that assets, liabilities, deferred outflows of resources, and deferred inflows of resources for postemployment dental benefits have an actuarial study to determine the effect on net position. The amount by which this departure would affect the assets, liabilities, deferred outflows of resources, deferred inflows of resources, and net position has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the “*Basis for Qualified Opinion on Governmental Activities*” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the *Governmental Activities* of the Township of Haddon Fire District No. 1, in the County of Camden, State of New Jersey, as of December 31, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Township of Haddon Fire District No. 1, in the County of Camden, State of New Jersey, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### ***Adoption of New Accounting Principle***

As discussed in note 1 to the financial statements, during the year ended December 31, 2019, the Fire District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Consistency of Financial Statements***

Because of the implementation of GASB Statement No. 84, the length of service awards program liability as of December 31, 2018 in the notes to financial statements has been restated, as discussed in note 16. Our opinion is not modified with respect to this matter.

### ***Prior Period Restatement***

In addition, because of the implementation of GASB Statement No. 84, fund balance as of December 31, 2018 on the statement of revenues, expenditures, and changes in fund balances has been restated, as discussed in note 16 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, and schedule of the Fire District's pension contributions, schedule of the Fire District's proportionate share of the net OPEB liability, and schedule of the Fire District's 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.

Management has omitted the reporting of postemployment dental benefits in the government-wide financial statements that accounting principles generally accepted in the United States of America require to be presented. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Haddon Fire District No. 1's basic financial statements. The accompanying major fund supporting statements and schedules are presented for purposes of additional analysis, as required by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

The accompanying major fund supporting statements and schedules are the responsibility of management and were 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. In our opinion, the accompanying major fund supporting statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of the Township of Haddon Fire District No. 1'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 Haddon Fire District No. 1'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 Haddon Fire District No. 1's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
November 20, 2020

**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. 1  
Township of Haddon  
Westmont, New Jersey 08108

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 and each major fund of the Township of Haddon Fire District No. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated November 20, 2020 in which we qualified our opinion because the Fire District did not have an actuarial study performed in accordance with Governmental Accounting Standards Board No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for postemployment dental benefits. Our report on the financial statements included an emphasis of matter paragraph describing the adoption of a new accounting principle, and additional paragraphs on the consistency of financial statements and prior period restatement resulting from the new accounting principle.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Haddon Fire District No. 1'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 Haddon Fire District No. 1's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Haddon Fire District No. 1'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and which are described in the accompanying *Schedule of Findings and Recommendations*, as Finding No. 2019-001 and Finding No. 2019-002.

### The Township of Haddon Fire District No. 1's Response to Findings

The Township of Haddon Fire District No. 1's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. 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, 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  
November 20, 2020

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

As management of the Township of Haddon Fire District No. 1, 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, 2019. The intent of this discussion and analysis is to look at 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***

- During 2019, the Fire District early implemented GASB 84, which changed how the Length of Service Award Program account balance is presented in the financial statements.
- The liabilities and deferred inflows of resources of the Fire District exceeded its assets and deferred outflows of resources at the close of the most recent year and resulted in a deficit balance of \$545,020.86 (net position).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$842,677.08.
- At the end of the current year, unassigned fund balance for the general fund was \$320,368.67, approximately a 211.9% increase from that of the prior year.

***Overview of the Financial Statements***

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Fire District's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting and emergency medical services, which are provided to the citizens of the Township of Haddon.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fire District maintains one fund type, governmental.

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

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.

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

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

***Overview of the Financial Statements (Cont'd)***

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

***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$545,020.86 at the close of the most recent year.

The largest portion of the Fire District's net position reflects its investment in capital assets (i.e., land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Fire District uses these assets to provide fire-fighting and emergency medical services to the citizens of the Township of Haddon; 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Government-wide Financial Analysis (cont'd)**

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1'S NET POSITION  
As of December 31,**

	<b>2019</b>	<b>RESTATED 2018</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 396,830.06	\$ 601,067.67
Prepaid Expenses	35,323.96	5,380.65
Investments - Length of Service Awards Program	486,984.45	456,575.47
Capital Assets, net (Note 4)	<u>1,530,064.33</u>	<u>1,405,137.98</u>
Total Assets	<u>2,449,202.80</u>	<u>2,468,161.77</u>
<b>Deferred Outflows of Resources:</b>		
Related to Pensions (Note 7)	212,358.00	326,635.00
Related to Other Postemployment Benefits (OPEB) (Note 8)	<u>13,429.00</u>	<u>15,399.00</u>
Total Deferred Outflows of Resources	<u>225,787.00</u>	<u>342,034.00</u>
<b>Liabilities</b>		
Accounts Payable	121,703.39	141,090.38
Other Current Liabilities	31,049.94	32,526.35
Noncurrent Liabilities (Note 5):		
Due within One Year	69,527.22	67,149.83
Due beyond One Year	<u>2,124,816.11</u>	<u>2,416,167.48</u>
Total Liabilities	<u>2,347,096.66</u>	<u>2,656,934.04</u>
<b>Deferred Inflows of Resources:</b>		
Related to Pensions (Note 7)	235,311.00	208,219.00
Related to OPEB (Note 8)	<u>637,603.00</u>	<u>512,610.00</u>
Total Deferred Inflows of Resources	<u>872,914.00</u>	<u>720,829.00</u>
<b>Net Position</b>		
Net Investment in Capital Assets	1,165,455.21	974,373.24
Restricted for:		
Capital Projects	-	365,000.00
Unrestricted (Deficit)	<u>(1,710,476.07)</u>	<u>(1,906,940.51)</u>
Total Net Position (Deficit)	<u>\$ (545,020.86)</u>	<u>\$ (567,567.27)</u>

In total, assets of governmental activities decreased by \$18,958.97 primarily due to the Fire District making the purchase of an ambulance and command vehicle which decreased cash and increased Capital Assets.

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

**Government-wide Financial Analysis (cont'd)**

**Governmental Activities.** The Statement of Activities shows the cost of the governmental activities' program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

<b>TOWNSHIP OF HADDON FIRE DISTRICT NO. 1'S STATEMENT OF ACTIVITIES</b>		
<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>
Expenses		
Operating Appropriations:		
Administration	\$ 199,025.92	\$ 201,252.34
Cost of Operations and Maintenance	1,299,723.74	1,459,656.90
Length of Service Awards Program	37,700.00	49,875.00
Interest on Long-Term Debt	12,529.42	14,081.07
	<u>1,548,979.08</u>	<u>1,724,865.31</u>
Total Program Expenses		
	<u>1,548,979.08</u>	<u>1,724,865.31</u>
Program Revenues:		
Operating Grants and Contributions	13,799.00	13,723.00
	<u>13,799.00</u>	<u>13,723.00</u>
Total Program Revenues		
	<u>13,799.00</u>	<u>13,723.00</u>
Net Program Expenses	<u>1,535,180.08</u>	<u>1,711,142.31</u>
General Revenues		
Taxes:		
Property Taxes, Levied for General Purposes	1,449,008.55	1,391,763.55
Taxes Levied for Debt Service	80,214.45	79,518.45
Unrestricted Miscellaneous Income	28,503.49	3,585.16
	<u>1,557,726.49</u>	<u>1,474,867.16</u>
Total General Revenues		
	<u>1,557,726.49</u>	<u>1,474,867.16</u>
Change in Net Position	22,546.41	(236,275.15)
Net Position, January 1 (Deficit)	<u>(567,567.27)</u>	<u>(331,292.12)</u>
Net Position, December 31 (Deficit)	<u>\$ (545,020.86)</u>	<u>\$ (567,567.27)</u>

Property taxes constituted 92.2% of revenues for governmental activities for the Fire District for the year 2019.

Cost of operations and maintenance comprises 83.9% of Fire District expenses, with administration comprising 12.8% of total expenses. The remainder of 3.2% is for Operating Appropriations Offset with Revenues, the Length of Service Awards Program and Interest on Long-Term Debt.



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

**Financial Analysis of the Government's Funds**

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

**Governmental Fund.** The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Fire District's governmental funds reported combining ending fund balances of \$842,677.08. Of this fund balance, \$35,323.96 is nonspendable, \$486,984.45 is restricted for LOSAP and \$320,368.67 is unassigned in the general fund. The general fund is the main operating fund of the Fire District.

There was a decrease in the Fire District's general fund balance of \$119,010.68 during the current year. A key factor in this decrease is as follows:

- The Fire District purchased a new ambulance and command vehicle for \$223,997.00.

There is no fund balance in the Special Revenue Fund, Capital Projects Fund or Debt Service Fund which is the same as the prior year.

The Fire District implemented GASB Statement No. 84, which determined that the activity related to the Length of Service Awards Program (LOSAP) meets the criteria for reporting in the governmental funds (general fund), as opposed to the fiduciary fund where it was reported in prior periods. There exists no effect on net position; however, fund balance reported at January 1, 2019 has been restated.

**General Fund Budgeting Highlights**

During the course of the 2019 year, the Fire District modified its general fund budget in accordance with statute. There was no net change in the total budget.

The final budgetary basis revenue estimate was \$1,449,007.00. There is no change over the original budgeted estimate.

The final budgetary basis expenditure appropriation estimate was \$1,851,402.00. There is no change over the original budgeted estimate.

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

**Capital Asset and Debt Administration**

**Capital Assets.** The Fire District's investment in capital assets for its governmental activities as of December 31, 2019 amounts to \$1,530,064.33 (net of accumulated depreciation). This investment in capital assets includes vehicles and various types of equipment.

At the end of the 2019 year, the Fire District had \$3,953,513.18 invested in vehicles and various types of equipment prior to the reduction for accumulated depreciation.

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1'S CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
Apparatus / Vehicles / Ambulances	\$ 1,297,749.11	\$ 1,152,444.90
Fire Equipment	<u>232,315.22</u>	<u>252,693.08</u>
Total	<u>\$ 1,530,064.33</u>	<u>\$ 1,405,137.98</u>

Additional information on the Fire District's capital assets can be found in note 4.

**Long-term Debt.** At the end of the current year, the Township of Haddon Fire District No. 1 had a capital lease outstanding of \$364,609.12. The 2020 adopted budget has an appropriation of \$68,315.00 representing the payment of the annual principal on capital leases.

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

For the 2019 year, the Fire District was able to sustain its budget through the fire district tax levy, state aid, and miscellaneous revenue sources. Approximately 97.7 percent of total revenue is from local tax levy and 2.3 percent of the Fire District's revenue is miscellaneous or from state and local aid. The 2020 budget was adopted January 16, 2020 by the Commissioners, and the voters subsequently approved the budget at the annual fire district election.

***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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to William G. Tessing III, Treasurer at the Township of Haddon Fire District No. 1, Haddon and Walnut Avenues, Westmont, New Jersey 08108, or email at [FFirehose@bfc.org](mailto:FFirehose@bfc.org).

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

## TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

## Statement of Net Position

December 31, 2019

## ASSETS:

Cash and Cash Equivalents	\$ 396,830.06
Restricted Assets:	
Investments - Length of Service Awards Program	486,984.45
Prepaid Expenses	35,323.96
Capital Assets, net (Note 4)	<u>1,530,064.33</u>
Total Assets	<u>2,449,202.80</u>

## DEFERRED OUTFLOWS OF RESOURCES:

Related to Pensions (Note 7)	212,358.00
Related to Other Postemployment Benefits (OPEB) (Note 8)	<u>13,429.00</u>
Total Deferred Outflows of Resources	<u>225,787.00</u>

## LIABILITIES:

Accounts Payable:	
Other	76,461.39
Pensions	45,242.00
Accrued Liabilities:	
Interest Payable	8,428.94
Pensions	22,621.00
Noncurrent Liabilities (Note 5):	
Due within One Year	69,527.22
Due beyond One Year	<u>2,124,816.11</u>
Total Liabilities	<u>2,347,096.66</u>

## DEFERRED INFLOWS OF RESOURCES:

Related to Pensions (Note 7)	235,311.00
Related to OPEB (Note 8)	<u>637,603.00</u>
Total Deferred Inflows of Resources	<u>872,914.00</u>

## NET POSITION:

Net Investment in Capital Assets	1,165,455.21
Unrestricted (Deficit)	<u>(1,710,476.07)</u>
Total Net Position (Deficit)	<u>\$ (545,020.86)</u>

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

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**Statement of Activities  
For the Year Ended December 31, 2019

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**Expenses:**

## Operating Appropriations:

Administration	\$ 199,025.92
Cost of Operations and Maintenance	1,299,723.74
Length of Service Awards Program	37,700.00
Interest on Long-Term Debt	<u>12,529.42</u>

Total Program Expenses	<u>1,548,979.08</u>
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## Program Revenues:

Operating Grants and Contributions	<u>13,799.00</u>
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Net Program Expenses	<u>1,535,180.08</u>
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## General Revenues:

## Taxes:

Property Taxes, Levied for General Purposes	1,449,008.55
Taxes Levied for Debt Service	80,214.45
Unrestricted Miscellaneous Income	<u>28,503.49</u>

Total General Revenues	<u>1,557,726.49</u>
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Change in Net Position	22,546.41
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Net Position (Deficit), January 1	<u>(567,567.27)</u>
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Net Position (Deficit), December 31	<u><u>\$ (545,020.86)</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

## TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Balance Sheet  
Governmental Funds  
December 31, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 396,830.06				\$ 396,830.06
Investments - Length of Service Awards Program	486,984.45				486,984.45
Prepaid Expenses	35,323.96				35,323.96
Total Assets	<u>\$ 919,138.47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 919,138.47</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 68,887.52				\$ 68,887.52
Payroll Deductions Payable	7,573.87				7,573.87
Total Liabilities	<u>76,461.39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,461.39</u>
<b>Fund Balances:</b>					
Nonspendable	35,323.96				35,323.96
Restricted:					
Length of Service Awards Program	486,984.45				486,984.45
Unassigned	320,368.67				320,368.67
Total Fund Balances	<u>842,677.08</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>842,677.08</u>
Total Liabilities and Fund Balances	<u>\$ 919,138.47</u>	<u>-</u>	<u>-</u>	<u>-</u>	

(Continued)



## TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Balance Sheet  
Governmental Funds  
December 31, 2019

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	Total Governmental <u>Funds</u>
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	
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.	\$ (647,127.00)
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.	(67,863.00)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.	(8,428.94)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,953,513.18, and the accumulated depreciation is \$2,423,448.85.	1,530,064.33
Long-term liabilities, including bonds payable, pension liability, length of service awards program liability, compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,194,343.33)</u>
Net position of governmental activities (deficit)	<u><u>\$ (545,020.86)</u></u>

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

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Amount to be Raised by Taxation to Support the District Budget	\$ 1,449,008.55			\$ 80,214.45	\$ 1,529,223.00
Non-Budgetary Revenues	28,503.49				28,503.49
Operating Grant Revenues	5,676.00				5,676.00
Restricted:					
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)	37,700.00				37,700.00
Unrealized Gain / (Loss) on Investments	15,156.21				15,156.21
<b>Total Revenues</b>	<b>1,536,044.25</b>	<b>-</b>	<b>-</b>	<b>80,214.45</b>	<b>1,616,258.70</b>
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration	185,648.92				185,648.92
Cost of Operations and Maintenance	1,185,261.78				1,185,261.78
Length of Service Awards Program	37,700.00				37,700.00
Restricted:					
Length of Service Awards Program (LOSAP) - Forfeitures	3,297.23				3,297.23
Administrative Charges	650.00				650.00
Benefit Payments	18,500.00				18,500.00
Capital Appropriations	223,997.00				223,997.00
Debt Service:					
Principal				66,155.62	66,155.62
Interest and Other Charges				14,058.83	14,058.83
<b>Total Expenditures</b>	<b>1,655,054.93</b>	<b>-</b>	<b>-</b>	<b>80,214.45</b>	<b>1,735,269.38</b>
Excess (Deficiency) of Revenues over Expenditures	(119,010.68)	-	-	-	(119,010.68)
Fund Balance, January 1	505,112.29				505,112.29
Prior Period Adjustment	456,575.47				456,575.47
Fund Balance, January 1 (Restated)	961,687.76	-	-	-	961,687.76
Fund Balance, December 31	<u>\$ 842,677.08</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 842,677.08</u>

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

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
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, 2019

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Total Net Change in Fund Balances - Governmental Funds	\$ (119,010.68)
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.	8,123.00
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	\$ (99,070.65)
Capital Outlay	<u>223,997.00</u>
	124,926.35
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	66,155.62
Governmental funds report certain activity related to the length of service awards program as restricted revenues and expenditures, whereas such activity is a component of the length of service awards program liability reported on the statement of net position.	(30,408.98)
In the statement of activities, certain operating expenses, (e.g., interest on long-term debt) are measured by the amounts accrued 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>(27,238.90)</u>
Change in Net Position of Governmental Activities	<u>\$ 22,546.41</u>

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

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

Notes to Financial Statements  
For the Year Ended December 31, 2019

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

The financial statements of the Township of Haddon Fire District No. 1 (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 Haddon (the "Township"), Camden County, New Jersey. The Township is comprised of an area of approximately 2.791 square miles. It is bounded by Cherry Hill to the north, Audubon Park, Camden, Collingswood, Gloucester City and Oaklyn to the west, Mount Ephraim to the south and Haddonfield on the east. As of the 2010 United States Census, the Township's population was 14,707. The Fire District was formed in January of 1956 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 following the vote held at the annual election.

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 and emergency medical services to the residents within its territorial location. The Fire District has one fire company within its jurisdiction, the Westmont 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.

**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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Government-wide and Fund Financial Statements (Cont'd)**

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.

**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 certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

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

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

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.

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

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 third Saturday in February. 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 held on the third Saturday in February 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets / Budgetary Control (Cont'd)**

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 I-3, 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.

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 adopted 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash, Cash Equivalents and Investments (Cont'd)**

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, 2019.

**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, 2019.

**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:

<b><u>Description</u></b>	<b><u>Estimated Lives</u></b>
Apparatus / Vehicles / Ambulances	5 - 10 Years
Fire Equipment	5 - 20 Years

The Fire District does not possess any infrastructure assets.



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

**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 method 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 and length of service awards program 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.

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

***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 business administrator, to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator 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 Statement for the year ended December 31, 2019:

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 became effective, as a result of early implementation, for the Fire District for the year ended December 31, 2019.

As a result of the implementation of Statement No. 84, the Fire District has determined that the activity related to its length of service awards program meets the criteria for reporting in the governmental funds (general fund), as opposed to the fiduciary fund where it was reported in prior periods. There exists no effect on net position; however, fund balance reported at January 1, 2019 has been restated (note 16).

**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 Statement that will become effective for the Fire District in future years as shown below:

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, 2022. 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, 2019, the Fire District's bank balances of \$414,356.78 were not exposed to custodial credit risk because the balances were all insured.

**Note 3: PROPERTY TAX LEVIES**

The following is a tabulation of the Fire District's 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>
2019	\$ 979,982,965.00	\$ 1,529,223.00	\$ .157
2018	971,997,063.00	1,471,282.00	.152
2017	967,675,350.00	1,357,930.00	.141
2016	964,449,826.00	1,326,819.00	.138
2015	965,089,190.00	1,266,027.00	.132

**Note 4: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 is as follows:

	<b>Balance Jan. 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31, 2019</b>
Capital Assets that are being Depreciated:				
Apparatus / Vehicles / Ambulances	\$ 3,287,987.09	\$ 223,997.00		\$ 3,511,984.09
Fire Equipment	441,529.09			441,529.09
Total Capital Assets being Depreciated	3,729,516.18	223,997.00	-	3,953,513.18
Total Capital Assets, Cost	3,729,516.18	223,997.00		3,953,513.18
Less Accumulated Depreciation for:				
Apparatus / Vehicles / Ambulances	(2,135,542.19)	(78,692.79)		(2,214,234.98)
Fire Equipment	(188,836.01)	(20,377.86)		(209,213.87)
Total Accumulated Depreciation	(2,324,378.20)	(99,070.65) *	-	(2,423,448.85)
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	1,405,137.98	124,926.35	-	1,530,064.33
Capital Assets, Net	\$ 1,405,137.98	\$ 124,926.35	-	\$ 1,530,064.33

\* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 99,070.65</u>
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**Note 5: LONG-TERM LIABILITIES**

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

	<b>(Restated) Balance Jan. 1, 2019</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance Dec. 31, 2019</b>	<b>Due within One Year</b>
Other Liabilities:					
Obligations under Capital Leases	\$ 430,764.74		\$ (66,155.62)	\$ 364,609.12	\$ 68,314.74
Length of Service Awards Program Liability	456,575.47 <sup>(r)</sup>	\$ 52,856.21	(22,447.23)	486,984.45	
Compensated Absences	9,942.10	10,048.80	(7,866.14)	12,124.76	1,212.48
Net Pension Liability	678,311.00	510,188.00	(584,621.00)	603,878.00	
Postemployment Benefits (note 8)	907,724.00	492,963.00	(673,940.00)	726,747.00	
Governmental Activities Long-Term Liabilities	<u>\$ 2,483,317.31</u>	<u>\$ 1,066,056.01</u>	<u>\$ (1,355,029.99)</u>	<u>\$ 2,194,343.33</u>	<u>\$ 69,527.22</u>

<sup>(r)</sup> restated balance

**Bonds Authorized but not Issued** - As of December 31, 2019, the Fire District had no authorizations to issue additional debt.

**Note 5: LONG-TERM LIABILITIES (CONT'D)**

**Obligations under Capital Leases** - The Fire District leased a fire apparatus system totaling \$499,965.00 under a capital lease. The capital lease was for a term of seven years with an interest rate of 2.76%, with a final payment on April 15, 2024.

The following is a schedule of the remaining future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at December 31, 2019:

<b><u>Year Ending</u></b> <b><u>Dec. 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2020	\$ 68,314.74	\$ 11,899.71	\$ 80,214.45
2021	70,544.32	9,670.13	80,214.45
2022	72,846.67	7,367.78	80,214.45
2023	75,224.16	4,990.29	80,214.45
2024	77,679.23	2,535.22	80,214.45
Total	<u>\$ 364,609.12</u>	<u>\$ 36,463.13</u>	<u>\$ 401,072.25</u>

Capital leases are depreciated in a manner consistent with the Fire District's depreciation policy for owned assets. The debt service fund is responsible for budgeting and liquidating the liability associated with the capital leases.

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 10 for a description of the Fire District's policy.

**Length of Service Awards Program Liability** - For details on the length of service awards program liability, refer to note 15. The Fire District's annual required contribution to the length of service awards program is budgeted and paid from the general fund on an annual basis.

**Net Pension Liability** - For details on the net pension liability, refer to note 7. The Fire District's 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 8. The Fire District's required contribution to the postemployment benefits plan is budgeted and paid from the general fund.

**Note 6: OPERATING LEASES**

At December 31, 2019, the Fire District had operating lease agreements in effect for a copy machine and housing of fire apparatus and office space with Westmont Fire Company. The present value of the future minimum rental payments under the operating lease agreements are as follows:

<b><u>Year Ending</u></b> <b><u>Dec. 31,</u></b>	<b><u>Amount</u></b>
2020	\$ 97,083.80
2021	<u>1,736.50</u>
Total	<u>\$ 98,820.30</u>

Rental payments under operating leases for the year ended December 31, 2019 were \$97,083.80.

**Note 7: 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. 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  
<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

**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.

**Note 7: PENSION PLANS (CONT'D)****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

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.



**Note 7: 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 P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0% in State fiscal year 2019. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Fire District's contractually required contribution rate for the year ended December 31, 2019 was 13.69% 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, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2019, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2019 is \$8,700.00, and was payable by April 1, 2020. Based on the PERS measurement date of June 30, 2018, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2018 was \$9,002.00, which was paid on April 1, 2019. Employee contributions to the Plan during the year ended December 31, 2019 were \$4,766.72.

**Police and Firemen's Retirement System** - The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 10.0% in State fiscal year 2019. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

*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.

**Note 7: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - The Fire District's contractually required contribution rate for the year ended December 31, 2019 was 29.80% 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, 2019, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2019 is \$36,542.00, and was payable by April 1, 2020. Based on the 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 was \$36,133.00, which was paid on April 1, 2019. Employee contributions to the plan during the year ended December 31, 2019 were \$14,711.38.

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, 2019 was 3.84% of the Fire District's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2019, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2019 was \$4,710.00, and was payable by April 1, 2020. Based on the 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 \$4,023.00, and was paid by April 1, 2019.

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

**Public Employees' Retirement System** - At December 31, 2019, the Fire District's proportionate share of the PERS net pension liability was \$161,160.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. 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, 2019 measurement date, the Fire District's proportion was 0.0008944126%, which was a decrease of 0.0000106049% from its proportion measured as of June 30, 2018.

At December 31, 2019, the Fire District's proportionate share of the PERS pension (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date was \$25,477.00.

**Note 7: PENSION PLANS (CONT'D)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Police and Firemen's Retirement System** - At December 31, 2019, 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	\$ 442,718.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Fire District	69,906.00
	<u>\$ 512,624.00</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. 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. For the June 30, 2019 measurement date, the Fire District's proportion was 0.0036176237%, which was a decrease of 0.0000782898% from its proportion measured as of June 30, 2018. Likewise, at June 30, 2019, the State of New Jersey's proportion, on-behalf of the Fire District, was 0.0036176237%, which was a decrease of 0.0000782898% from its proportion, on-behalf of the Fire District, measured as of June 30, 2018.

At December 31, 2019, the Fire District's proportionate share of the PFRS pension (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is \$86,755.00.

At December 31, 2019, the State's proportionate share of the PFRS pension (benefit) expense, associated with the Fire District, calculated by the Plan as of the June 30, 2019 measurement date is \$8,123.00. This on-behalf (benefit) 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, 2019, 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	\$ 2,893.00	\$ 3,737.00	\$ 6,630.00	\$ 712.00	\$ 2,803.00	\$ 3,515.00
Changes of Assumptions	16,092.00	15,170.00	31,262.00	55,938.00	143,082.00	199,020.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	2,544.00	5,999.00	8,543.00
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	30,200.00	121,645.00	151,845.00	4,399.00	19,834.00	24,233.00
Fire District Contributions Subsequent to the Measurement Date	4,350.00	18,271.00	22,621.00	-	-	-
	<u>\$ 53,535.00</u>	<u>\$ 158,823.00</u>	<u>\$ 212,358.00</u>	<u>\$ 63,593.00</u>	<u>\$ 171,718.00</u>	<u>\$ 235,311.00</u>

**Note 7: PENSION PLANS (CONT'D)****Pension Liabilities, Pension (Benefit) 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)** - \$4,350.00 and \$18,271.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2020. These amounts were based on an estimated April 1, 2021 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2019 to the Fire District's year end of December 31, 2019.

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:

	<u>PERS</u>		<u>PFRS</u>	
	<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	-
June 30, 2019	5.21	-	-	5.92
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
June 30, 2019	-	5.21	-	5.92
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
June 30, 2019	-	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
June 30, 2019	5.21	5.21	5.92	5.92

**Note 7: PENSION PLANS (CONT'D)****Pension Liabilities, Pension (Benefit) 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><u>Year Ending Dec 31,</u></b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>	<b><u>Total</u></b>
2020	\$ 13,361.00	\$ 24,258.00	\$ 37,619.00
2021	(5,355.00)	(6,777.00)	(12,132.00)
2022	(14,563.00)	(16,241.00)	(30,804.00)
2023	(7,105.00)	(20,945.00)	(28,050.00)
2024	(746.00)	(11,461.00)	(12,207.00)
	<u>\$ (14,408.00)</u>	<u>\$ (31,166.00)</u>	<u>\$ (45,574.00)</u>

**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. 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:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases (1):		
Through 2026	2.00% - 6.00%	
Thereafter	3.00% - 7.00%	
Through All Future Years		3.25% - 15.25%
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2013 - June 30, 2018

(1) Based on Years of Service

**Note 7: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For PFRS, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' and PFRS' target asset allocation as of June 30, 2019 are summarized in the following table:

**Note 7: 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2019 was 6.28% for PERS and 6.85% 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 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057 for PERS and 2076 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 for PERS and 2076 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Note 7: 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, 2019, the Plan's measurement date, calculated using a discount rate of 6.28%, 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 (5.28%)</b>	<b>Current Discount Rate (6.28%)</b>	<b>1% Increase (7.28%)</b>
Fire District's Proportionate Share of the Net Pension Liability	\$ 203,571.00	\$ 161,160.00	\$ 125,422.00

**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, 2019, the Plan's measurement date, for the Fire District and the State of New Jersey, calculated using a discount rate of 6.85%, 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 (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Fire District's Proportionate Share of the Net Pension Liability	\$ 598,394.00	\$ 442,718.00	\$ 313,874.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Fire District	94,488.00	69,906.00	49,561.00
	\$ 692,882.00	\$ 512,624.00	\$ 363,435.00

**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, 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. For additional information about PERS and PFRS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.



**Note 8: 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>.

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

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.

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****General Information about the OPEB Plan (Cont'd)**

**Contributions (Cont'd)** - The Fire District was billed monthly by the Plan and paid \$0.00 for the year ended December 31, 2019, representing 0% of the Fire District's covered payroll. During the year ended December 31, 2019, retirees were required to contribute \$0.00.

*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.

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 (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

**OPEB Liability** - At December 31, 2019 the Fire District's proportionate share of the net OPEB liability was \$726,747.00.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

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, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the Fire District's proportion was 0.005365%, which was a decrease of 0.000429% from its proportion measured as of the June 30, 2018 measurement date.

**OPEB Expense** - At December 31, 2019, the Fire District's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date was \$(33,076.00).

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2019, 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	\$ -	\$ 212,529.00
Changes of Assumptions	-	257,543.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	599.00	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	12,830.00	167,531.00
Fire District Contributions Subsequent to the Measurement Date	-	-
	<u>\$ 13,429.00</u>	<u>\$ 637,603.00</u>

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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience		
June 30, 2017	-	-
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
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	-
June 30, 2019	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
June 30, 2019	8.05	8.05

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (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 the OPEB liability will be recognized in future periods as follows:

<b>Year Ending Dec. 31,</b>		
2020	\$	(102,765.00)
2021		(102,765.00)
2022		(102,812.00)
2023		(102,888.00)
2024		(102,957.00)
Thereafter		(109,987.00)
	\$	<u>(624,174.00)</u>

**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, 2019 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
PERS:	
Initial Fiscal Year Applied:	
Rate Through 2026	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
PFRS:	
Rate for all Years	3.25% to 15.25%

\* Salary Increases are Based on Years of Service  
Within the Respective Plan

PERS mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational morality improvement projections from the central year using Scale MP-2019.

PFRS mortality rates were based on Pub-2010 Safety classification headcount weighted mortality with fully generational morality improvement projections from the central year using Scale MP-2019.

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

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

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Actuarial Assumptions (Cont'd)**

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, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

**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, 2019, the Plan's measurement date, calculated using a discount rate of 3.50%, 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 (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Fire District's Proportionate Share of the Net OPEB Liability	\$ 840,304.00	\$ 726,747.00	\$ 634,467.00

**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, 2019, 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	\$ 613,285.00	\$ 726,747.00	\$ 871,487.00

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB 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 (benefit) 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. For additional information about the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**Note 9: RISK MANAGEMENT**

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

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

**Joint Insurance Fund** - The Fire District is a member of the FIRST Responder Joint Insurance Fund. The Fund provides its members with the following coverage:

- Building Value, replacement cost
- Personal Property
- Portable Equipment
- General Liability
- Products/Completed Operations
- Non-owned Aircraft Liability
- Management/Employment Practices Liability
- Public Employee Blanket Bond
- Commercial Auto Liability
- Auto Physical Damage
- Hired and Non-Owned Auto Liability
- Workers Compensation

Contributions to the Fund, including a reserve for contingencies are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended December 31, 2019, which can be obtained from:

FIRST Responder Joint Insurance Fund  
51 Everett Drive, Suite B40  
West Windsor, New Jersey 08512

**Note 10: 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 Fire District's employees are entitled to fifteen paid vacation days per year. Compensatory time is provided when the employee works in excess of the normal operating schedule. Sick days are provided as needed. The employees are compensated for unused vacation or compensatory time upon termination or retirement.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At December 31, 2019, the liability for compensated absences in the governmental fund types was \$12,124.76.

**Note 11: 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 12: 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 13: FUND BALANCES APPROPRIATED - GENERAL FUND**

The 2020 annual budget of the Fire District was adopted on January 16, 2020, and subsequently approved by the voters at the annual election held on February 22, 2020. The adopted budget did not utilize 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>
2019	\$ 320,368.67	
2018	505,112.29	\$ 402,395.00
2017	571,999.77	77,650.00
2016	960,060.49	144,539.00
2015	853,140.95	233,395.00

**Note 14: FUND BALANCES****NONSPENDABLE**

As stated in note 1, 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 nonspendable fund balances of the Fire District, as of December 31, 2019, are summarized as follows:

**General Fund** - The Fire District records prepaid expenses. As a result, because prepaid expenses are recorded as an asset, even though it does not represent expendable financial resources, it is necessary to set aside fund balance at year-end by an amount equal to the carrying value of the prepaid expenses. As of December 31, 2019, the nonspendable fund balance was \$35,323.96.

**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 -**

**Length of Service Awards Program (LOSAP)** - Pursuant to N.J.S.A. 40A:14-187, all accumulated proceeds shall remain restricted for the volunteer members. As a result, there exists at December 31, 2019 a restricted fund balance in the amount of \$486,984.45 for future benefit payments of volunteers.

**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, 2019, \$320,368.67 of general fund balance was unassigned.

**Note 15: 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 general fund, was created by a Fire District Resolution adopted on November 16, 2000 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 meet 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 annual election held on February 17, 2001, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2001. The Plan provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel, and is administered by Volunteer Fireman's Insurance Services, Inc. ("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.



**Note 15: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

**Plan Description (Cont'd)** - The tax deferred income benefits for emergency service volunteers, consisting of the volunteer fire department and the first aid organization, come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of a 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 \$1,450.00 for the year ended December 31, 2019, 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. Participants direct the investment of the contributions into the investment options offered by the Plan. The Plan currently offers one fixed annuity contract.

For the year ended December 31, 2019, the Fire District's expense, net of forfeitures of \$3,297.23, was \$34,402.77.

**Participant Accounts** - Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. For the year ended December 31, 2019, the Fire District elected to pay substantially all of the Plan's administrative costs. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Fire District has placed the amounts deferred, including earnings, in an account 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.

**Note 15: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

**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, 2019, one account was forfeited in the amount of \$3,297.23.

**Investments** - The investments of the length of service awards program are recorded at fair value and investments offered to the participants include various variable annuities. The Fire District has classified these investments as restricted in the financial statements.

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

**Note 16: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS**

For the year ended December 31, 2019, the Fire District adopting new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result, the fund balance of the general fund as of December 31, 2018 has been restated to include the balances of the length of service awards program that was previously reported in a fiduciary fund. The following table illustrates the restatement:

	<u>General Fund</u>
Beginning Net Position as Previously Reported at December 31, 2018	\$ 505,112.29
Prior Period Adjustment:	
Reclassification of Length of Service Awards Program Balances from Fiduciary Fund	<u>456,575.47</u>
Net Position as Restated, December 31, 2018	<u>\$ 961,687.76</u>

In addition to the restatement of fund balance, the adoption of GASB Statement No. 84 required the Fire District to recognize on the statement of net position for the year ended December 31, 2019 a long-term liability for the future benefit payments to volunteers in accordance with the terms of the length of service awards program.

**Note 17: SUBSEQUENT EVENTS**

**COVID-19** - The management of the Fire District has evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the Fire District. While the impact that COVID-19 will have is currently expected to be temporary, as of the date of the financial statements, the related financial impact and duration cannot be reasonably estimated.

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

**BUDGETARY COMPARISON SCHEDULES**

## TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Required Supplementary Information - Part II

General Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2019

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 1,449,007.00		\$ 1,449,007.00	\$ 1,449,008.55	\$ 1.55
Operating Grant Revenues:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)				5,676.00	5,676.00
Non-Budgetary Revenues:					
Miscellaneous				28,503.49	28,503.49
Total Revenues	1,449,007.00	-	1,449,007.00	1,483,188.04	34,181.04
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	58,200.00		58,200.00	56,260.00	1,940.00
Fringe Benefits	69,019.00		69,019.00	68,894.39	124.61
Other Expenses:					
Election	1,200.00	\$ 1,200.00	2,400.00	2,382.77	17.23
Office Expense	7,500.00		7,500.00	6,817.33	682.67
Professional Services	47,000.00	5,000.00	52,000.00	51,294.43	705.57
Total Administration	182,919.00	6,200.00	189,119.00	185,648.92	3,470.08
Cost of Operations and Maintenance:					
Salary and Wages:					
Mechanic	92,700.00		92,700.00	92,699.84	0.16
Fire Officers	93,000.00		93,000.00	81,499.67	11,500.33
Chief	55,000.00		55,000.00	54,999.98	0.02
Fringe Benefits	123,005.00	14,000.00	137,005.00	136,034.65	970.35
Other Expenses:					
Advertising	500.00		500.00		500.00
Insurance	150,000.00		150,000.00	139,034.91	10,965.09
Maintenance and Repair	80,000.00	14,000.00	94,000.00	88,909.99	5,090.01
Dues / Subscriptions	3,900.00		3,900.00	3,164.39	735.61
Supplies	24,500.00		24,500.00	18,387.93	6,112.07

(Continued)

## TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Required Supplementary Information - Part II

General Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2019

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance (Cont'd):					
Other Expenses (Cont'd):					
Training and Education	\$ 9,000.00	\$ 7,200.00	\$ 16,200.00	\$ 16,143.89	\$ 56.11
Travel	1,500.00		1,500.00		1,500.00
Utilities	55,000.00		55,000.00	51,798.15	3,201.85
Promotions	10,200.00		10,200.00	8,453.14	1,746.86
Other Rentals or Leases	96,900.00		96,900.00	95,000.00	1,900.00
Ambulance EMT's Stipends	320,000.00	16,000.00	336,000.00	335,825.00	175.00
Other Assets - Non-Bondable					
New Equipment	141,278.00	(57,400.00)	83,878.00	63,310.24	20,567.76
Total Cost of Operations and Maintenance	1,256,483.00	(6,200.00)	1,250,283.00	1,185,261.78	65,021.22
Length of Service Award Program Contribution	47,000.00		47,000.00	37,700.00	9,300.00
Capital Appropriations					
Capital Improvements (N.J.S.A. 40A:14-84)					
Ambulance & Command Vehicle	365,000.00		365,000.00	223,997.00	141,003.00
Total Capital Appropriations	365,000.00	-	365,000.00	223,997.00	141,003.00
Total Expenditures	1,851,402.00	-	1,851,402.00	1,632,607.70	218,794.30

(Continued)

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended December 31, 2019

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (402,395.00)	-	\$ (402,395.00)	\$ (149,419.66)	\$ 252,975.34
Fund Balance, Beginning				505,112.29	
Prior Period Adjustment				<u>456,575.47</u>	
Fund Balance, Beginning (Restated)				<u>961,687.76</u>	
Reconciliation to Fund Balance for Length of Service Awards Program:					
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)				37,700.00	
Unrealized Gain / (Loss) on Investments				15,156.21	
Length of Service Awards Program (LOSAP) - Forfeitures				(3,297.23)	
Administrative Charges				(650.00)	
Benefit Payments				<u>(18,500.00)</u>	
				<u>30,408.98</u>	
Fund Balance, Ending				<u>\$ 842,677.08</u>	
Recapitulation:					
Restricted:					
Length of Service Awards Program				\$ 486,984.45	
Unassigned				<u>355,692.63</u>	
				<u>\$ 842,677.08</u>	

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

Required Supplementary Information - Part II

Budgetary Comparison Schedule

Note to Required Supplementary Information

For the Year Ended December 31, 2019

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

	General Fund	Special Revenue Fund
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 1,483,188.04	
Certain restricted revenues related to the length of service awards program are recognized on the GAAP basis but are not required to be budgeted.	<u>52,856.21</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 1,536,044.25</u>	<u>-</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 1,632,607.70	
Certain restricted expenditures related to the length of service awards program are recognized on the GAAP basis but are not required to be budgeted.	<u>22,447.23</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 1,655,054.93</u>	<u>-</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART III**

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



**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
*Last Seven Plan Years*

	<b>Measurement Date Ended June 30,</b>			
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Fire District's Proportion of the Net Pension Liability	0.0008944126%	0.0009050175%	0.0009174290%	0.0009239230%
Fire District's Proportionate Share of the Net Pension Liability	\$ 161,160.00	\$ 178,193.00	\$ 213,563.00	\$ 273,639.00
Fire District's Covered Payroll (Plan Measurement Period)	\$ 63,556.00	\$ 63,556.00	\$ 63,556.00	\$ 63,556.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	253.57%	280.37%	336.02%	430.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%
	<b>Measurement Date Ended June 30,</b>			
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	
Fire District's Proportion of the Net Pension Liability	0.0003848875%	0.0003840436%	0.0003850138%	
Fire District's Proportionate Share of the Net Pension Liability	\$ 86,400.00	\$ 71,903.00	\$ 73,584.00	
Fire District's Covered Payroll (Plan Measurement Period)	\$ 26,556.00	\$ 26,556.00	\$ 26,556.00	
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	325.35%	270.76%	277.09%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%	

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

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Contributions  
 Public Employees' Retirement System (PERS)  
*Last Seven Years*

	<u>Year Ended December 31,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Fire District's Contractually Required Contribution	\$ 8,700.00	\$ 9,002.00	\$ 8,499.00	\$ 8,208.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(8,700.00)</u>	<u>(9,002.00)</u>	<u>(8,499.00)</u>	<u>(8,208.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire District's Covered Payroll (Calendar Year)	\$ 63,556.00	\$ 63,556.00	\$ 63,556.00	\$ 63,556.00
Fire District's Contributions as a Percentage of Covered Payroll	13.69%	14.16%	13.37%	12.91%
	<u>Year Ended December 31,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Fire District's Contractually Required Contribution	\$ 3,309.00	\$ 3,166.00	\$ 2,901.00	
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(3,309.00)</u>	<u>(3,166.00)</u>	<u>(2,901.00)</u>	
Fire District's Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	
Fire District's Covered Payroll (Calendar Year)	\$ 54,306.00	\$ 26,556.00	\$ 26,556.00	
Fire District's Contributions as a Percentage of Covered Payroll	6.09%	11.92%	10.92%	

*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 HADDON FIRE DISTRICT NO. 1**  
 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 Seven Plan Years*

	<b>Measurement Date Ended June 30,</b>			
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Fire District's Proportion of the Net Pension Liability	0.0036176237%	0.0036959135%	0.0037878306%	0.0023655145%
Fire District's Proportionate Share of the Net Pension Liability	\$ 442,718.00	\$ 500,118.00	\$ 584,768.00	\$ 451,874.00
State's Proportionate Share of the Net Pension Liability associated with the Fire District	69,906.00	67,933.00	65,499.00	37,946.00
Total	<u>\$ 512,624.00</u>	<u>\$ 568,051.00</u>	<u>\$ 650,267.00</u>	<u>\$ 489,820.00</u>
Fire District's Covered Payroll (Plan Measurement Period)	\$ 122,612.00	\$ 122,612.00	\$ 122,612.00	\$ 75,608.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	361.07%	407.89%	476.93%	597.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.00%	62.48%	58.60%	52.01%
	<b>Measurement Date Ended June 30,</b>			
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	
Fire District's Proportion of the Net Pension Liability	0.0018315783%	0.0018362932%	0.0018481923%	
Fire District's Proportionate Share of the Net Pension Liability	\$ 305,077.00	\$ 230,989.00	\$ 245,700.00	
State's Proportionate Share of the Net Pension Liability associated with the Fire District	26,754.00	24,874.00	22,902.00	
Total	<u>\$ 331,831.00</u>	<u>\$ 255,863.00</u>	<u>\$ 268,602.00</u>	
Fire District's Covered Payroll (Plan Measurement Period)	\$ 58,000.00	\$ 58,000.00	\$ 58,000.00	
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	525.99%	398.26%	423.62%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 HADDON FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Contributions  
 Police and Firemen's Retirement System (PFRS)  
*Last Seven Years*

	<b>Year Ended December 31,</b>			
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Fire District's Contractually Required Contribution	\$ 36,542.00	\$ 36,133.00	\$ 33,523.00	\$ 19,287.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(36,542.00)</u>	<u>(36,133.00)</u>	<u>(33,523.00)</u>	<u>(19,287.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire District's Covered Payroll (Calendar Year)	\$ 122,612.00	\$ 122,612.00	\$ 122,612.00	\$ 122,612.00
Fire District's Contributions as a Percentage of Covered Payroll	29.80%	29.47%	27.34%	15.73%
	<b>Year Ended December 31,</b>			
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	
Fire District's Contractually Required Contribution	\$ 14,888.00	\$ 14,104.00	\$ 13,484.00	
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(14,888.00)</u>	<u>(14,104.00)</u>	<u>(13,484.00)</u>	
Fire District's Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	
Fire District's Covered Payroll (Calendar Year)	\$ 94,708.00	\$ 58,000.00	\$ 58,000.00	
Fire District's Contributions as a Percentage of Covered Payroll	15.72%	24.32%	23.25%	

*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 HADDON FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Notes to Required Supplementary Information - Part III  
 For the Year Ended December 31, 2019

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, 5.66% 2018 and 6.28% 2019.*

*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, 2018 and 2019.*

*For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2014 - June 30, 2018 Experience Study. For pre-retirement mortality, the Pub-2010 General Below-Median Income Employee mortality table with a 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees and beneficiaries, the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males, and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.*

*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.*

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, 6.51% 2018 and 6.85% 2019.*

*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, 2018 and 2019.*

*For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2013 - June 30, 2018 Experience Study. For pre-retirement mortality, the Pub-201 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees, the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For beneficiaries mortality, the Pub-2010 General Retiree Below-Median Income Weighted mortality table, unadjusted, and with future improvement from the base year of 2010 on a generational basis was used. For disabled mortality, the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.*

*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. For 2015, demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study.*

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART IV**

**SCHEDULES RELATED TO OTHER  
POSTEMPLOYMENT BENEFIT PLANS**

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part IV  
 Schedule of the Fire District's Proportionate Share of the Net OPEB Liability  
*Last Three Plan Years*

	<b>Measurement Date Ended June 30,</b>		
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Fire District's Proportion of the Net OPEB Liability	0.005365%	0.005794%	0.005719%
Fire District's Proportionate Share of the Net OPEB Liability	\$ 726,747.00	\$ 907,724.00	\$ 1,167,579.00
Fire District's Covered Payroll (Plan Measurement Period)	\$ 186,168.00	\$ 186,168.00	\$ 186,168.00
Fire District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	390.37%	487.58%	627.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	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 HADDON FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part IV  
 Schedule of the Fire District's Contributions  
*Last Three Years*

	Year Ended December 31,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Fire District's Required Contributions	\$ -	\$ -	\$ -
Fire District's Contributions in Relation to the Required Contribution	-	-	-
Fire District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered Payroll (Calendar Year)	\$ 186,168.00	\$ 186,168.00	\$ 186,168.00
Fire District's Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

*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 HADDON FIRE DISTRICT NO. 1**  
Required Supplementary Information - Part IV  
Notes to Required Supplementary Information - Part IV  
For the Year Ended December 31, 2019

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State Health Benefits Local Government Retired Employees Plan

*Changes in Benefit Terms:*

In 2019, there were slight changes to the Chapter 48 provisions.

*Changes in Assumptions:*

In 2019, the discount rate changed to 3.50% from 3.87%, and there were changes in the assumed health care cost trend, PPO/HMO future retiree elections, and excise tax assumptions. Further, decrements, salary scale, and mortality assumptions were updated based on the July 1, 2013 - June 30, 2018 PFRS and July 1, 2014 - June 30, 2018 PERS experience studies. For mortality related to PFRS members and retirees, the Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used. For mortality related to PERS members and retirees, the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used.

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.

In 2017, the discount rate changed to 3.58% from 2.85%.

## **LONG-TERM DEBT**

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
Schedule of Obligations Under Capital Leases  
For the Year Ended December 31, 2019

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<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding Jan. 1, 2019 (a)</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2019 (a)</u>
			<u>Principal</u>	<u>Interest</u>				
Pumper Truck	8/15/2017	4/15/2024	\$ 499,965.00	\$ 56,664.15	2.76%	<u>\$ 430,764.74</u>	<u>\$ 66,155.62</u>	<u>\$ 364,609.12</u>

(a) future interest payments removed from carrying value of leases.

## TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Budgetary Comparison Schedule

Debt Service Fund

For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Amount of be Raised by Taxation to Support the District Budget	\$ 80,216.00		\$ 80,216.00	\$ 80,214.45	\$ (1.55)
EXPENDITURES:					
Principal Payments:					
Capital Leases	66,156.00		66,156.00	66,155.62	0.38
Interest Payments:					
Capital Leases	14,060.00		14,060.00	14,058.83	1.17
Total Expenditures	80,216.00	-	80,216.00	80,214.45	1.55
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, January 1	-	-	-	-	-
Fund Balance, December 31	-	-	-	-	-

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2019

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***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. 2019-001**

**Criteria or Specific Requirement**

Under the provisions of Chapter 78, P.L. 2011, the State requires contributions from employees or retirees toward premiums for health benefits. The amount of the contribution is the higher of 1.5% of base salary (Chapter 2), or Chapter 78, s.39 (subject to phase-in requirements of sections 40-44), or any locally or contractually required contribution that applies to an employee. In addition, the base salary reported in the quarterly pension reports should agree with the subsidiary records.

**Condition**

Auditor noted that proper payroll deductions were not being withheld from employees for pensions and health contributions. Also, the base salary amounts reported in the quarterly pension reports were not accurate.

**Context**

Throughout the auditor's testing of payroll, it was noted that an incorrect base salary and contribution percentage was being used for pension and health withholding calculations, respectively.

**Effect**

The Fire District is not in compliance with all the rules and regulations set forth by Chapter 78, P.L. 2011 of the State of New Jersey.

**Cause**

There was an oversight by the responsible official.

**Recommendation**

The Fire District should review on a regular basis all Local Finance Board Notices and implement those applicable to the Fire District on a timely basis. This includes but is not limited to the Fire District applying the provisions of Chapter 78, P.L. 2011 for payroll deductions.

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

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**TOWNSHIP OF HADDON FIRE DISTRICT NO. 1**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2019

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***Schedule of Financial Statement Findings (Cont'd)***

**Finding No. 2019-002**

**Criteria or Specific Requirement**

Pursuant to Governmental Accounting Standards Board Statement No. 75 and requirements prescribed by the Division of Local Government Services, fire districts are required to disclose the liability of non-pension benefits that they have contractually or otherwise agreed to provide employees once they have retired.

**Condition**

The Fire District did not determine the liability for postemployment dental benefits required to be disclosed in the financial statements and notes to financial statements.

**Context**

During the year 2019, there were twelve participants who were eligible for postemployment dental benefits.

**Effect**

Non-compliance with Governmental Accounting Standards Board Statement No. 75 and rules promulgated by the Division of Local Government Services.

**Cause**

The Fire District did not contract an actuary to determine the liability due to budgetary constraints.

**Recommendation**

That the Fire District engage an actuary in order to provide the necessary information to comply with Governmental Accounting Standards Board Statement No. 75.

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

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

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

**Finding No. 2018-001**

**Condition**

Auditor noted that proper payroll deductions were not being withheld from employees for pensions and health contributions. Also, the base salary amounts reported in the quarterly pension reports were not accurate.

**Current Status**

This condition still exists, refer to Finding 2019-001.

**Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**Finding No. 2018-002**

**Condition**

The Fire District did not properly determine eligibility for LOSAP volunteers.

**Current Status**

This condition has been resolved.

**Finding No. 2018-003**

**Condition**

The Fire District did not determine the liability for postemployment dental benefits required to be disclosed in the financial statements and notes to financial statements.

**Current Status**

This condition still exists, refer to Finding 2019-002.

**Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.



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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,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

