

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
WITH
INDEPENDENT AUDITOR'S REPORT**

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

**Board of Fire Commissioners
Fire District No. 2, Township of Jackson
County of Ocean
Jackson, New Jersey 08527**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with auditing standards 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

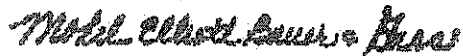
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2019, on our consideration of the Fire District No. 2, Township of Jackson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fire District No. 2, Township of Jackson's internal control over financial reporting and compliance.



Toms River, New Jersey
August 8, 2019.

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

**Board of Fire Commissioners
Fire District No. 2, Township of Jackson
Jackson, New Jersey 08527**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the government activities and each major fund of Fire District No. 2, Township of Jackson in the County of Ocean, State of New Jersey as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the Fire District No. 2, Township of Jackson's basic financial statements, and have issued our report thereon dated August 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fire District No. 2, Township of Jackson'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District No. 2, Township of Jackson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire District No. 2, Township of Jackson'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mohe Elliott Bauer & Gass

Toms River, New Jersey
August 8, 2019

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

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

Financial Highlights

- The net position of the fire district which represents the difference between assets and liabilities was \$2,093,211. This represents a decrease of \$11,656 from 2017.
- The amount raised by taxation was \$1,829,075 or 89.77% of all revenues.
- Total expenditures were \$2,049,238 as compared to \$2,184,097 in 2017; a decrease of \$134,859 or 6.17%.
- The District has adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits other than pensions - an amendment of GASB Statement 45, 57 & 74.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 2, Township of Jackson's basic financial statements is comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page -12. - District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on all the assets and liabilities of Fire District No. 2, Township of Jackson, The difference between the two is reported as the District's Net Position. Significant increases or decreases in the District's Net Position can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's Net Position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Reporting on the District as a Whole (Continued)

The district-wide financial statements report on the financial data by function. Fire District No.2, Township of Jackson provides firefighting services to the citizens of Jackson Township.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Fire District No. 2, Township of Jackson uses fund accounting to document compliance with finance-related legal matters. Fire District No. 2, Township of Jackson has three types of fund groups, and that is the general fund, capital projects fund and debt service fund.

Governmental Funds

Fire District No. 2 of the Township of Jackson's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

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

As required by N.J.S.A. 40A:14:78-3, Fire District No. 2 Township of Jackson adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

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

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 2 Township of Jackson's Net Position is a useful indicator of the District's financial condition. At the end of 2018 the District's assets exceeded the liabilities by \$2.1 million. A significant portion of Fire District No. 2, Township of Jackson's Net Position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending.

Statement of Net Position:

FIRE DISTRICT NO. 2 TOWNSHIP OF JACKSON NET POSITION DECEMBER 31, 2018				
	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
Total assets and deferred outflows of resources	\$ 5,882,265	\$ 6,341,107	\$ (458,842)	-7.24%
Total liabilities and deferred inflows of resources	(3,789,054)	(4,236,240)	(447,186)	-10.56%
Net position	\$ 2,093,211	\$ 2,104,867	\$ (11,656)	-0.55%
Analysis of net position				
Net investment in capital assets	\$ 1,595,541	\$ 1,636,208	\$ (40,667)	-2.49%
Restricted for:				
Capital projects	926,749	970,620	(43,871)	-4.52%
Unrestricted	(429,079)	(501,961)	72,882	-14.52%
Total net position	\$ 2,093,211	\$ 2,104,867	\$ (11,656)	-0.55%

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Governmental Activities

The Statement of Activities shows the cost of the governmental activities and general revenues. A summary of these activities follows:

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Expenses				
Administrative expenses	\$ 264,374	\$ 270,997	\$ (6,623)	-2.44%
Cost of operations and maintenance	1,607,730	1,772,399	(164,669)	-9.29%
Operating appropriations offset with revenues	94,691	91,337	3,354	3.67%
Interest expense	13,785	18,602		
Length of Service Award Program Contribution	22,321	30,762	(8,441)	-27.44%
State of New Jersey special funding situation - OPEB	46,337	111,783	(65,446)	-58.55%
Total program expenses	<u>2,049,238</u>	<u>2,295,880</u>	<u>(241,825)</u>	-10.53%
General revenues				
Property taxes levied for:				
General purposes	1,692,054	1,017,893	674,161	66.23%
Capital projects	-	490,000	(490,000)	-100.00%
Debt service	137,021	137,021	-	0.00%
Total property taxes levied	<u>1,829,075</u>	<u>1,644,914</u>	<u>184,161</u>	11.20%
Charges for services	128,628	85,607	43,021	50.25%
State of New Jersey special funding situation - OPEB	46,337	111,783	(65,446)	-58.55%
Other revenue	33,542	49,437	(15,895)	-32.15%
Total general revenues	<u>2,037,582</u>	<u>1,891,741</u>	<u>145,841</u>	7.71%
Increase in net position	(11,656)	(404,139)	392,483	-97.12%
Net position, January 1	2,104,867	2,509,006	(404,139)	-16.11%
Net position, December 31	<u>\$ 2,093,211</u>	<u>\$ 2,104,867</u>	<u>\$ (11,656)</u>	-0.55%

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 2, Township of Jackson uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the district and to assess its future needs and available resources.

As of December 31, 2018, the combined balance of the governmental cash and investment funds of Fire District No. 2, Township of Jackson was approximately \$2.64 million. This balance is approximately \$115,000 higher than last year's combined governmental funds balance.

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS (Continued)

The combined fund balance of the governmental funds of Fire District No. 2, Township of Jackson was a surplus of approximately \$2.85 million. Amounts of approximately \$927,000 is restricted for capital projects, \$408,000 is restricted for investment in length of service award program and \$1,515,000 is unassigned.

The general fund is the main operating fund of Fire District No. 2, Township of Jackson. At the end of 2018, the total fund balance of the general fund was approximately \$1.92 million.

During 2018, the general fund balance surplus of Fire District No. 2 Township of Jackson increases by approximately \$198,000. The primary reason for this increase is primarily due to the excess of revenues over expenditures.

At the end of 2018, the District has a capital projects fund balance of approximately \$927,000. This was an decrease of approximately \$44,000 from the previous year.

General Fund Budgetary Highlights

The original budget was projected to be balanced. The District had total revenues in excess of expenditures of approximately \$146,000 in 2018.

Administrative expenses were approximately \$53,000 less than projected in 2018. Operating expenses were approximately \$70,000 less than projected in 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018 Fire District No. 2 Township of Jackson had invested in capital assets for government activities of approximately \$1,784,000 (net of accumulated depreciation). Capital assets consist of land, buildings and leasehold improvements, fire apparatus, vehicles and fire equipment. Additions for 2018 were a Ford Interceptor for \$43,871 and a diesel trash pump for \$16,200.

	CAPITAL ASSETS DECEMBER 31, 2018		
	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>
Capital assets			
Land	\$ 165,000	\$ 165,000	\$ -
Buildings and leasehold improvements	2,227,308	2,227,308	-
Apparatus	3,770,908	3,727,037	43,871
Equipment	<u>618,952</u>	<u>602,752</u>	<u>16,200</u>
Total capital assets	6,782,168	6,722,097	60,071
Accumulated depreciation	<u>(4,998,052)</u>	<u>(4,774,077)</u>	<u>223,975</u>
Total capital assets, net	<u>\$ 1,784,116</u>	<u>\$ 1,948,020</u>	<u>\$ (163,904)</u>

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2018, Fire District No. 2 Township of Jackson was able to fund its appropriations through the fire tax levy and other revenues. The 2018 budget was projected to be balanced. It finished the year with an excess of \$146,207.

Fire District No. 2, Township of Jackson adopted the 2019 budget on January 10, 2019. The 2019 budget reflects a 6.5% increase in the tax levy compared to 2018. The proposed budget reflects an increase in the tax rate for 2019 of \$.005. The proposed tax rate per \$100 of assessed value will be \$.097.

REQUESTS FOR INFORMATION

The District financial report is designed to provide users of the financial statements with a general overview of the District's finances and to show the District's accountability for the money it receives. The financial statements of the District are a matter of public record.

If you have any questions about this report or need additional information please contact The Board Clerk at 785 Miller Avenue, Jackson New Jersey 08527.

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	2018
ASSETS	
Cash and cash equivalents	\$ 2,638,753
Accounts receivable	48,927
Prepaid expenses	80,396
Capital assets, net	1,784,116
Contribution receivable - length of service award program	22,321
Cash and investments - length of service award program	385,218
Total assets	4,959,731
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - PERS	311,680
Deferred outflows - PFRS	610,854
Total deferred outflows of resources	922,534
Total assets and deferred outflows of resources	5,882,265
LIABILITIES	
Current liabilities	
Capital lease obligation payable	128,276
Due to fire companies	15,463
Accounts payable and accrued expenses	310,763
Total current liabilities	454,502
Noncurrent liabilities	
Capital lease obligation payable	60,299
Net pension liability - PERS	492,793
Net pension liability - PFRS	1,304,227
Net assets available for program benefits - length of service award program	407,539
Total noncurrent liabilities	2,264,858
Total liabilities	2,719,360
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - PERS	229,710
Deferred inflows - PFRS	723,134
Deferred inflows - other	116,850
Total deferred inflows of resources	1,069,694
Total liabilities and deferred inflows of resources	3,789,054
NET POSITION	
Net investment in capital assets	1,595,541
Restricted for capital projects	926,749
Unrestricted	(429,079)
Total net position	\$ 2,093,211

The accompanying notes are an integral part of these financial statements

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

**STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	2018
Expenses:	
Operating appropriations:	
Administration	\$ 264,374
Cost of operations and maintenance	1,607,730
Operating appropriations offset with revenues	94,691
Interest expense	13,785
Length of service award program (LOSAP) - Contribution P.L. 1997, c.388)	22,321
State of New Jersey special funding situation - OPEB	46,337
Total program expenses	2,049,238
 General revenues:	
Amount raised by taxation	1,829,075
Charges for services	128,628
Interest on investments and deposits	6,689
Operating grant revenues	4,342
Miscellaneous revenue	22,511
State of New Jersey special funding situation - OPEB	46,337
Total general revenues	2,037,582
 Change in net position	 (11,656)
 Net position - beginning of year	 2,104,867
Net position - end of year	\$ 2,093,211

The accompanying notes are an integral part of these financial statements

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018**

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1,712,004	\$ 926,749	\$ -	\$ 2,638,753
Accounts receivable	48,927			48,927
Prepaid expenses	80,396			80,396
Contribution receivable - length of service award program	22,321			22,321
Cash and investments - length of service award program	385,218			385,218
Total assets	2,248,866	926,749	-	3,175,615
LIABILITIES				
Accounts payable and accrued expenses	310,763			310,763
Due to fire companies	15,463			15,463
Total liabilities	326,226	-	-	326,226
FUND BALANCES				
Restricted for Capital Projects		526,749		526,749
Investment in length of service award program	407,539			407,539
Assigned - other				-
Assigned - Designated for subsequent year's expenditures		400,000		400,000
Unassigned	1,515,101			1,515,101
Total fund balances	1,922,640	926,749	-	2,849,389
Total liabilities and fund balances	\$ 2,248,866	\$ 926,749	\$ -	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,782,168 and the accumulated depreciation is \$4,998,052.	1,784,116
Deferred outflows and inflows related to pensions and other	(147,160)
Long-term liabilities, including net pension liability, capital lease obligation payable, length of service awards program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	(2,393,134)
	\$ 2,093,211

The accompanying notes are an integral part of these financial statements

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues:				
Amount raised by taxation	\$ 1,692,054	\$	\$ 137,021	\$ 1,829,075
Charges for services	128,628			128,628
Interest on investments and deposits	6,689			6,689
Investment income - length of service award program	(13,640)			(13,640)
Operating grant revenues	4,342			4,342
Miscellaneous revenue	22,511			22,511
Total revenues	<u>1,840,584</u>	<u>-</u>	<u>137,021</u>	<u>1,977,605</u>
Expenditures:				
Administration	264,374			264,374
Cost of operations and maintenance	1,282,760			1,282,760
Operating appropriations offset with revenues	94,691			94,691
Capital Expenditures		43,871		43,871
Debt service principal payments			123,236	123,236
Interest payments on debt			13,785	13,785
Participant distributions, forfeitures and charges length of service award program	1,050			1,050
Total expenditures	<u>1,642,875</u>	<u>43,871</u>	<u>137,021</u>	<u>1,823,767</u>
Excess of revenues over expenditures	197,709	(43,871)	-	153,838
Fund balance, January 1	<u>1,724,931</u>	<u>970,620</u>	<u>-</u>	<u>2,695,551</u>
Fund balance, December 31	<u>\$ 1,922,640</u>	<u>\$ 926,749</u>	<u>\$ -</u>	<u>\$ 2,849,389</u>

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

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Total net changes in fund balance - governmental funds (B - 2)	\$	153,838
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Amounts reported for governmental activities in the statement of activities (A - 2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense

Capital outlays	60,071	
Depreciation expense	<u>(223,975)</u>	(163,904)

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

(117,196)

Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of activities, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Investment income LOSAP is not a revenue in the government-wide financial statements as it is payable to the volunteers in accordance with the plan benefits

District contribution to length of service award program	(22,321)	
Length of service award investment income	13,640	
Participant withdrawals	<u>1,050</u>	(7,631)

Principal payments on capital leases		<u>123,237</u>
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Changes in net position of governmental activities (A - 2)	\$	<u><u>(11,656)</u></u>
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The accompanying notes are an integral part of these financial statements.

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 2 Township of Jackson is a political subdivision of the Township of Jackson, County of Ocean, State of New Jersey. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

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

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

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

B. District Officials

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

<u>Officials</u>	<u>Term Expires March</u>
Vincent Rubio	2021
John Ryan	2021
Robert Redington	2020
Martin Flemming	2020
John Alchevsky	2022

C. Accounting Records

The official accounting records of the Fire District No. 2 Township of Jackson are maintained in the office of the district.

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fire District No. 2, Township of Jackson (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.

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function of 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.

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.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are recognized as revenues in the year for which they are levied, as under New Jersey State Statute, Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

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.

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

The Fire District reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the Fire District. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

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.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control

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

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A 40A:14-78.5. Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Continued)

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

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

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

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, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year end. The encumbrances at December 31, 2018 totaled \$0 for the general fund and \$0 for the capital projects fund.

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, 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.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued)

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

Prepaid Expenses

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

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. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 - 30 years
Apparatus	5 -10 years
Vehicles	5 years
Equipment	5 years

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between the summation of assets and the summation of liabilities. 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 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 of 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 actions 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.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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 Fire Chief, to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the Fire Chief is established by way of a formal job description for the position, approved by the Board of Fire Commissioners.

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 appropriated in the following order: committed, assigned, and then unassigned.

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.

Subsequent Events

The District has evaluated subsequent events through August 8, 2019, the date the financial statements were available to be issued.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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 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.

PROPERTY TAX LEVIES:

Following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

<u>Calendar Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
12/31/2018	\$ 2,010,131,077	\$ 1,829,075	0.092
12/31/2017	\$ 2,010,499,181	\$ 1,644,914	0.082
12/31/2016	\$ 2,025,913,689	\$ 1,479,875	0.073
12/31/2015	\$ 2,013,410,500	\$ 1,131,931	0.056

SITE LEASE WITH OPTION - CELL PHONE TOWER

The Board of Fire Commissioners, District No. 1, Township of Jackson, which is now a part of District No. 2 (landlord), entered into a rental lease agreement with Mobilite Investments II, LLC (tenant). Term of lease is thirty (30) years commencing July 17, 2009. The purchase price paid at closing was \$171,000. The rental is being amortized over three hundred sixty (360) months at \$475 per month.

Permitted Use - Premises may be used by tenant for transmission and reception of radio communication signals.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSETS

Capital assets together with accumulated depreciation and estimated useful lives consists of the following:

	2018	Estimated Useful Life (Years)
Assets		
Land	165,000	--
Buildings and leasehold improvements	2,227,308	20 - 30
Apparatus	3,770,908	10
Equipment	618,952	5
	6,782,168	
Less: accumulated depreciation	(4,998,052)	
	\$ 1,784,116	

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2018
Accounts payable	\$ 73,992
Accrued LOSAP	25,704
Accrued professional fees	16,445
Accrued vacation	70,580
Accrued pension	124,042
	\$ 310,763

COMMITMENTS

The District leases facilities from two fire companies, Whitesville Volunteer Fire Company #1 and Cassville Volunteer Fire Company #1 for storage of equipment, housing of fire apparatus, training and education of fire fighters, public meetings, deployment of fire personnel and other appropriate and necessary fire service related functions. The leases are for a term of one year and are automatically renewable from year to year unless either party notifies the other by written notice that the leases will not be renewed or extended. Rental is paid to Whitesville Volunteer Fire Company #1 annually \$10,000 and to Cassville Volunteer Fire Company #1 quarterly in the amount of \$7,500 per quarter totaling \$30,000 per annum subject to annual appropriation by legal voters within the District.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

CAPITAL LEASE OBLIGATIONS PAYABLE

Voters approved the purchase of a fire truck for an amount not exceeding \$900,000 at a regular fire district election held on February 18, 2012. The cost of the truck was financed by a capital lease/purchase and a down payment coming from the Reserve for Future Capital Outlays. On June 15, 2012 the Board entered into a lease/purchase agreement with Leasing 2, Inc. to purchase a 109' Aerial Ladder Truck. The terms of the lease require the principal repayment of \$460,000 to be paid in seven annual installments beginning June 1, 2013 at 2.790%.

The Board entered into a lease/purchase agreement with Kansas State Bank of Manhattan to purchase a 2008 Rosenbauer Fire Truck for \$474,750. The terms of the lease require the principal repayment in ten annual installments beginning March 15, 2011 at 5.76%

<u>Balance</u> <u>12/31/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due Within</u> <u>One Year</u>
\$ 311,812	\$ -	\$ (123,237)	\$ 188,575	\$ 128,276

The following is a schedule of future lease payments under the lease together with the present value of the lease payments as of December 31, 2018:

<u>Due Date</u>	<u>Rosenbauer</u> <u>Fire Truck</u>	<u>109' Aerial</u> <u>Ladder Truck</u>	<u>Total</u>
2019	\$ 63,772	\$ 73,250	\$ 137,022
2020	63,772		63,772
Total lease payments	127,544	73,250	200,794
Less: amount representing interest	(10,231)	(1,988)	(12,219)
Present value of lease payments	\$ 117,313	\$ 71,262	\$ 188,575

(Continued)

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

PENSION PLAN

Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th 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 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4, with 25 or more years of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

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

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with full payment and any such amounts were not included in their unfunded liability. The actuaries determine the unfunded liability of the systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and were adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - As of December 31, 2018, the District reported a liability of \$492,793 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on the ratio of the District's contributions to the total contributions to PERS during the measurement period July 1, 2017 through June 30, 2018. The District's proportion measured as of June 30, 2018 was .002503%. This was a decrease from its proportion measured as of June 30, 2017 of .000034%.

Collective Balances as of December 31, 2018 and 2017

	2018	2017
	July 1, 2017	July 1, 2016
Actuarial valuation date		
Deferred outflows of resources	\$ 311,680	\$ 422,741
Deferred inflows of resources	\$ 229,710	\$ 217,895
Net pension liability	\$ 492,793	\$ 590,583
District's portion of the plan's total net pension liability	0.002503%	0.002537%

(Continued)

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2018 the District recognized pension expense of \$49,983. As of December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 81,204	\$ 157,569
Difference between expected and actual experience	9,398	2,541
Net difference between projected and actual earnings on pension plan investments		4,622
Changes in proportion and differences between District contributions and proportionate share of contributions	221,078	64,978
Total	\$ 311,680	\$ 229,710

Amounts allocated as deferred outflows of resources and deferred inflows of resources related to pensions will be included in pension expense as follows:

Year Ended June 30:	PERS
2019	\$ (3,781)
2020	5,236
2021	37,547
2022	32,547
2023	10,421
Total	\$ 81,970

(Continued)

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
 (Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
2015	5.72	
2016	5.57	
2017	5.48	
2018		5.63
Changes in assumptions		
Year of pension plan deferral:		
2014	6.44	
2015	5.72	
2016	5.57	
2017		5.48
2018		5.63
Difference between projected and actual investment earning on pension plan investments:		
Year of pension plan deferral:		
2014		5.00
2015		5.00
2016		5.00
2017		5.00
2018		5.00
Changes in proportion:		
Year of pension plan deferral:		
2014	6.44	6.44
2015	5.72	5.72
2016	5.57	5.57
2017	5.48	5.48
2018	5.63	5.63

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

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

Measurement date	June 30, 2018
Actuarial valuation date	July 1, 2017
Inflation rate	2.25%
Salary increases based on age:	
Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the conduit 2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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 PERS's target asset allocation as of June 30, 2017 are summarized in the following table.

(Continued)

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Public Employees' Retirement System (PERS) - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage -point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of the net pension liability	\$ 619,630	\$ 492,793	\$ 386,385

Police and Firemen's Retirement System (PFRS)

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

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

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 if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

PENSION PLAN - (Continued)

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

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

Allocation Methodology - GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PFRS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the contributions of an individual employer to the total contributions of PFRS during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple -employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deduction, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedule of pension amounts by employer and nonemployer. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2018.

Contributions - The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For fiscal year 2018, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries will determine the unfunded liability of the systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years which began with the payment due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

PENSION PLAN - (Continued)

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

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

Components of Net Pension Liability - At December 31, 2018, the District reported a liability of \$1,304,227 for its proportionate share of the PFRS net pension liability. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The District's proportion measured as of December 31, 2018, was .009638%, which was a decrease of .002893% from its proportion measured as of December 31, 2017.

Collective Balances as of December 31, 2018 and 2017

	2018	2017
Actuarial valuation date	July 1, 2017	July 1, 2016
Deferred Outflows of Resources	\$ 610,854	\$ 938,412
Deferred Inflows of Resources	\$ 723,134	\$ 328,189
Net Pension Liability	\$ 1,304,227	\$ 1,934,620
District's portion of the Plan's total net pension liability	0.009638%	0.012531%

(Continued)

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

PENSION PLAN - (Continued)

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

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2018, the District recognized pension expense of \$186,338. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 111,950	\$ 334,251
Difference between expected and actual experience	13,269	5,397
Net difference between projected and actual earnings on pension plan investments		7,135
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>485,635</u>	<u>376,351</u>
	<u>\$ 610,854</u>	<u>\$ 723,134</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>		<u>PFRS</u>
2019	\$	5,684
2020		(19,161)
2021		(53,605)
2022		(34,410)
2023		<u>(10,788)</u>
Total	\$	<u>(112,280)</u>

(Continued)

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
 (Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

PENSION PLAN - (Continued)

Police and Firemen's Retirement System (PFRS) - (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
2015		5.53
2016		5.58
2017	5.59	
2018	5.73	
Changes in assumptions		
Year of pension plan deferral:		
2014	6.17	
2015	5.53	
2016	5.58	
2017		5.59
2018		5.73
Difference between projected and actual investment earning on pension plan investments:		
Year of pension plan deferral:		
2014		5.00
2015		5.00
2016		5.00
2017		5.00
2018		5.00
Changes in proportion:		
Year of pension plan deferral:		
2014	6.17	6.17
2015	5.53	5.53
2016	5.58	5.58
2017	5.59	5.59
2018	5.73	5.73

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

PENSION PLAN - (Continued)

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

Additionally, the State's proportionate share of the net pension liability attributable to the District is \$177,158 as of December 31, 2018. The net pension liability was measured as of June 30, 2018. The net pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The State's proportion of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2018 was .009638%, which was a decrease of .002893% from its proportion measured as of June 30, 2017, which is the same proportion as the District's.

District's Proportionate Share of the Net Pension Liability	\$ 1,304,227
State's Proportionate Share of the New Pension Liability Associated With the District	<u>177,158</u>
Total Net Pension Liability	<u>\$ 1,481,385</u>

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

Measurement date	June 30, 2018
Actuarial valuation date	July 1, 2017
Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment rate of return	7.00%

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

PENSION PLAN - (Continued)

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

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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 adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

(Continued)

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
 (Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

PENSION PLAN - (Continued)

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

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

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

	<u>1% Decrease</u> <u>(5.51%)</u>	<u>Current Discount</u> <u>Rate (6.51%)</u>	<u>1% Increase</u> <u>(7.51%)</u>
District's proportionate share of the net pension liability	\$ 1,745,546	\$ 1,304,227	\$ 940,219

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

OPEB PLAN

State Health Benefit Local Government Retired Employees Plan

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

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

OPEB Plan - (Continued)

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

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

Special Funding Situation - 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 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or 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 if 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.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

OPEB Plan - (Continued)

Special Funding Situation

Under the special funding situation the District has included \$46,337 as an expense and corresponding revenue for the State of New Jersey employer OPEB expense and related revenue allocated to Jackson Township Fire District No. 2. The State of New Jersey proportionate share of the net OPEB liability attributable to Jackson Township Fire District No. 2 is \$1,530,718 as of June 30, 2018. The District has 7 (seven) members included in the plan and District No. 2's proportionate share of the net OPEB liability is .024634%. For this purpose, the proportionate share was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

LENGTH OF SERVICE AWARDS PROGRAM

LENGTH OF SERVICE AWARD PROGRAM

VALIC - Fire District No. 1

The Length of Service Award Program (LOSAP) for the Board of Fire Commissioners of Fire District No. 1, of the Township of Jackson, Whitesville Volunteer Fire Company was created by a Fire District Resolution adopted on February 10, 2004 pursuant to Section 457 (e)(11)(13) of the Internal Revenue Code of 1986 as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Jackson, Fire District No. 1, Whitesville Volunteer Fire Company approved the adoption of the Program at the general election held on February 21, 2004. The first year of eligibility for entrance into the program was calendar year 2004.

Lincoln Financial Group - Fire District No. 2

The Length of Service Award Program (LOSAP) for the Board of Fire Commissioners of Fire District No. 2 of the Township of Jackson was pre-existing prior to legislation being enacted and voter approval was not required as the program continued after the legislation was enacted pursuant to statute and case law.

The tax deferred income benefits for active volunteer members of the Board of Fire Commissioners, District No. 2, Township of Jackson come from contributions made solely by the Board of Fire Commissioners, on behalf of those volunteers who meet the criteria of the Program created by the Board of Fire Commissioners.

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 and a maximum contribution of \$1,150 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 after notice to the participants and public publication elected to automatically make the maximum annual contribution permitted by the Division of Local Government Services and budgets accordingly.

The Fire District elected to contribute \$1,717 for the year ended December 31, 2018 per eligible volunteer, into the Plan. Participants direct the investment of the contributions into various investment options offered by the Plan.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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, 2018, 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. In accordance with the amendments to Section 457 of the Internal Revenue Code, and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

VALIC and Lincoln Financial Group ("Contractors"), approved Length of Service Awards Contractors provide investment and other services regarding the length of services award program. The Fire District's practical involvement in administering the Plans are essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Contractors.

Vesting

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of active emergency service. "Year of active emergency service" means a twelve (12) month period during which an active volunteer member participates in the Fire Service and satisfies the minimum requirements of participation established by the sponsoring agency on a consistent uniform basis.

Payment of Benefits

Upon separation from service or disability as defined under the program, vested participants may select various options, 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.

The Board did adopt an amended plan in 2010 wherein "In-Service Distribution" after vesting is permitted. Such distribution requires the total vested amount is withdrawn by the participant. No partial distribution is permitted. If a participant elects in-service distribution the participant must thereafter complete at least five (5) years of emergency service again to vest in the program. Participants do not have to separate himself/herself from service.

Forfeited Accounts

During the year ended December 31, 2018 forfeitures were \$-0-.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

LENGTH OF SERVICE AWARD PROGRAM - INVESTMENTS

An investment agreement was entered into at the inception of the Plan between the Fire District and the Plan Contractor, whereby the Plan Contractor would have custody of the securities of the Plan and also advises the Fire District as to investment alternatives.

The investments consist of pooled separate accounts by Fund. Each participant may choose his/her allocation from among these investments. The investments are made by the Plan Contractor for benefit of plan participants. The investments are valued at fair value at the end of each year and the increase/decrease benefit of plan is posted to the participant's account.

	<u>2018</u>
Pooled Separate Accounts	\$ <u>385,217</u>

TAX STATUS - LENGTH OF SERVICE AWARD PROGRAM

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan administrator and the management of the Fire District believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Service Code.

The Plan is generally subject to routine audits by the Internal Revenue Service, for three years. There are currently no audits in progress.

RISK AND UNCERTAINTIES - LENGTH OF SERVICE AWARD PROGRAM

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for benefits.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

FAIR VALUE MEASUREMENTS

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1 Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.
- Level 2 Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Pooled Separate Accounts: Valued at the net asset value (NAV) of the participation units held by the plan at year end. The NAV, as reported by the insurance company, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying mutual fund held in the subaccounts.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

LENGTH OF SERVICE AWARD PROGRAM - CASH AND INVESTMENTS

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

Assets at Fair Value as of December 31, 2018

VALIC

Pooled Separate Accounts:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Aggressive Growth Lifestyle	\$ 7,435	\$	\$	7,435
Dividend Value	3,049			3,049
Fixed Account Plus	10,254			10,254
Global Social Awareness Fund	4,188			4,188
Government Securities Fund	298			298
Health Sciences Fund	3,197			3,197
International Equities Index Fund	3,928			3,928
Int'l Opportunities	594			594
Large Capital Growth	1,882			1,882
Mid Cap Index Fund	12,347			12,347
Science & Technology Fund	2,846			2,846
Short Term Fixed Account	89,202			89,202
Small Cap Index Fund	6,369			6,369
Stock Index Fund	7,599			7,599
T Rowe Price Retirement 2060 Adv	1,483			1,483
Total Pooled Separate Accounts	\$ 154,671	\$ -	\$ -	\$ 154,671
Total Assets at Fair Value	\$ 154,671	\$ -	\$ -	\$ 154,671

Assets at Fair Value as of December 31, 2018

Lincoln Financial Group

Pooled Separate Accounts:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
American Funds Global Growth	\$ 3,571	\$	\$	3,571
American Funds Growth	3,059			3,059
American Funds Growth-Income	5,195			5,195
Blackrock Global Allocation	343			343
Delaware VIP High Yield	291			291
Delaware VIP Reit	2,999			2,999
Delaware VIP Small Cap Value	2,137			2,137
Delaware VIP Smid Cap Core Series	1,756			1,756
Fidelity VIP Contrafund	2,651			2,651
Fixed Account	77,663			77,663
LVIP Blended Lrg Cap Growth Mngd VolItty	355			355
LVIP Delaware Bond	536			536
LVIP Delaware Special Opportunities	2,515			2,515
LVIP Dimensional US Core Equity 1	1,725			1,725
LVIP Mondrian International Value	2,330			2,330
LVIP SSGA Bond Index	577			577
LVIP SSGA S&P 500 Index	118,591			118,591
LVIP SSGA Small-Cap Index	992			992
MFS Utilities	3,260			3,260
Total Pooled Separate Accounts	\$ 230,546	\$ -	\$ -	\$ 230,546
Total Assets at Fair Value	\$ 230,546	\$ -	\$ -	\$ 230,546

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Modified		
Revenues				
Miscellaneous anticipated revenues:				
Interest investments and deposits	\$ 5,000	\$ 5,000	\$ 6,689	\$ 1,689
Miscellaneous revenue	12,955	12,955	22,511	9,556
Total miscellaneous anticipated revenues	17,955	17,955	29,200	11,245
Operating grant revenues:				
Supplemental fire service grant			4,342	4,342
Total operating grant revenues	-	-	4,342	4,342
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues				
Annual registration fee	88,900	88,900	120,329	31,429
Penalties and fines	6,700	6,700	8,299	1,599
Other revenues				-
Total uniform fire safety act revenues	95,600	95,600	128,628	33,028
Amount to be raised by taxation to support the district budget	1,829,075	1,829,075	1,829,075	-
Total anticipated revenues	1,942,630	1,942,630	1,991,245	48,615
Non-budgetary revenues:				
Miscellaneous				
Total revenues	1,942,630	1,942,630	1,991,245	48,615
Expenditures				
Operating appropriations:				
Administration:				
Salaries and wages(excluding commissioners)	176,175	176,175	140,056	36,119
Commissioners	8,750	8,750	8,750	-
Fringe benefits	94,948	68,948	52,481	16,467
Elections	1,500	3,500	3,120	380
Office expense	7,100	7,100	7,077	23
Professional services	50,000	53,000	52,890	110
Total administration	338,473	317,473	264,374	53,099
Cost of operations and maintenance:				
Salaries and wages	446,530	465,530	465,371	159
Fringe benefits	322,256	250,256	242,442	7,814
Advertising	3,000	3,000	2,772	228
Insurance	165,000	180,000	179,011	989
Maintenance and repairs - buildings	40,000	68,000	67,413	587
Maintenance and repairs - equipment	34,500	34,500	6,749	27,751
Maintenance and repairs - apparatus	100,000	102,000	101,972	28
Hydrant rental	36,000	38,000	37,263	737
Supplies expense	13,750	13,750	2,399	11,351
Training and education	10,000	10,000	7,829	2,171
Uniforms and personal equipment	20,000	20,000	7,860	12,140
Utilities	43,000	43,000	41,697	1,303
Fire suppression contracts	40,500	40,500	40,000	500
Payroll services fees	5,500	5,500	5,221	279
Physicals	14,000	14,000	11,284	2,716
Fuel	20,000	28,000	27,139	861
New equipment	17,500	36,500	36,338	162
Total cost of operations and maintenance	1,331,536	1,352,536	1,282,760	69,776

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Modified</u>		
Expenditures (Continued)				
Operating appropriations offset with revenues:				
Salaries and wages	38,000	62,000	61,941	59
Fringe benefits	2,200	22,200	22,045	155
Operating expenses	55,400	11,400	10,705	695
 Total operating appropriations offset with revenues	 <u>95,600</u>	 <u>95,600</u>	 <u>94,691</u>	 <u>909</u>
Capital appropriations:				
Capital appropriations			43,871	(43,871)
Length of service award program (LOSAP)	40,000	40,000	22,321	17,679
Debt service for capital appropriations:				
Principal payment on debt service	123,236	123,236	123,236	-
Interest payment on debt service	13,785	13,785	13,785	-
 Total debt service for capital appropriations	 <u>137,021</u>	 <u>137,021</u>	 <u>137,021</u>	 <u>-</u>
 Total expenditures	 <u>1,942,630</u>	 <u>1,942,630</u>	 <u>1,845,038</u>	 <u>97,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>146,207</u>	<u>146,207</u>
Fund balance, January 1			<u>2,295,643</u>	
Fund balance, December 31			<u>\$ 2,441,850</u>	
RECAPITULATION OF FUND BALANCE				
Restricted fund balance				
Capital projects			\$ 526,749	
Assigned fund balance				
Designated for subsequent year's expenditures			400,000	
Other purposes			-	
Unassigned fund balance			<u>1,515,101</u>	
 Total budgetary basis			 2,441,850	
Reconciliation to governmental fund statements::				
Length of service award program investment balance not recognized on the budgetary basis			<u>407,539</u>	
Total fund balance per governmental funds			<u>\$ 2,849,389</u>	

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
RECONCILIATION OF BUDGET TO STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

Sources/Inflows of Resources:

Actual amount (budgetary basis) total revenues from budgetary comparison schedule (C - 1)	\$ 1,991,245
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Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income	<u>(13,640)</u>
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds (B - 2)	\$ <u>1,977,605</u>
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Use/Outflows of Resources:

Actual amount (budgetary basis) total expenditures from budgetary comparison schedule (C - 1)	1,845,038
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Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the plan	
Length of service award program district contribution	(22,321)
Participant distributions and forfeitures	<u>1,050</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds (B - 2)	\$ <u>1,823,767</u>
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FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.00250%	0.00254%	0.00101%	0.00092%	0.00090%	0.00227%
District's Proportionate Share of the Net Pension Liability	\$ 492,793	\$ 590,583	\$ 299,477	\$ 205,803	\$ 167,858	\$ 433,563
District's Covered-Employee Payroll	\$ 176,764	\$ 139,307	\$ 66,400	\$ 63,240	\$ 62,000	\$ 132,872
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	278.79%	423.94%	451.02%	325.43%	270.74%	326.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

For the year ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Contractually Required Contribution	\$ 24,895	\$ 23,503	\$ 8,983	\$ 7,882	\$ 7,391	\$ 17,093
District's Contribution in Relation to the Contractually Required Contribution	<u>24,895</u>	<u>23,503</u>	<u>8,983</u>	<u>7,882</u>	<u>7,391</u>	<u>17,093</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 177,768	\$ 175,760	\$ 139,307	\$ 66,400	\$ 63,240	\$ 62,000
District's Contributions as a Percentage of its Covered-Employee Payroll	14.00%	13.37%	6.45%	11.87%	11.69%	27.57%

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

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE AND FIREMEN'S RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.00964%	0.01253%	0.00930%	0.00715%	0.00673%	0.00615%
District's Proportionate Share of the Net Pension Liability	\$ 1,304,227	\$ 1,934,620	\$ 1,777,272	\$ 1,191,149	\$ 846,898	\$ 817,714
District's Covered-Employee Payroll	\$ 372,243	\$ 375,698	\$ 298,100	\$ 249,569	\$ 212,648	\$ 179,104
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	350.37%	514.94%	596.20%	477.28%	396.26%	456.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%

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

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
SCHEDULE OF DISTRICT CONTRIBUTIONS
POLICE AND FIREMEN'S RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Contractually Required Contribution	\$ 94,229	\$ 110,906	\$ 75,858	\$ 58,129	\$ 51,711	\$ 44,876
District's Contribution in Relation to the Contractually Required Contribution	<u>94,229</u>	<u>110,906</u>	<u>75,858</u>	<u>58,129</u>	<u>51,711</u>	<u>44,876</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 431,747	\$ 328,929	\$ 375,698	\$ 298,100	\$ 249,569	\$ 212,648
District's Contributions as a Percentage of it's Covered-Employee Payroll	21.83%	33.72%	20.19%	11.87%	11.69%	21.10%

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

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

Police and Firemen's Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

Length of Service Awards Program (LOSAP)

Changes in Benefit Terms

None.

Changes of Assumptions

None.

**BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NO. 2
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

None.

**BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NO. 2
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT**

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

None.