

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
WITH
INDEPENDENT AUDITOR'S REPORT

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

8 EXECUTIVE DRIVE, SUITE 1, TOMS RIVER, NEW JERSEY 08755
1200 RIVER AVENUE, SUITE 5A, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701
732/363-6500 FAX: 732/363-0675
WWW.MEBGCPA.COM



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Fire Commissioners, Township of Jackson, District No. 2, as of and for the years ended December 31, 2017 and 2016, 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 opinions on these financial statements based on our audits. We conducted our audits 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 Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

MOHEL ELLIOTT BAUER & GASS
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C E R T I F I E D P U B L I C A C C O U N T A N T S

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

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, each major fund, and the aggregate remaining fund information of the Board of Fire Commissioners, Township of Jackson, District No. 2, as of December 31, 2017 and 2016, and the respective changes in financial position, and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Board of Fire Commissioners, Township of Jackson, District No. 2's basic financial statements. The accompanying financial information listed as other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not required part of the basic financial statements.

The statistical information and roster of officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

MOHEL ELLIOTT BAUER & GASS
A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 2018, on our consideration of the Board of Fire Commissioners, Township of Jackson, District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Board of Fire Commissioners, Township of Jackson, District No. 2's internal control over financial reporting and compliance.

MoHEL Elliott Bauer & Gass

Toms River, New Jersey
August 9, 2018

8 EXECUTIVE DRIVE, SUITE 1, TOMS RIVER, NEW JERSEY 08755
1200 RIVER AVENUE, SUITE 5A, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701
732/363-6500 FAX: 732/363-0675
WWW.MEBGCPA.COM

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on and Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

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, the financial statements of the Board of Fire Commissioners, Township of Jackson, District No. 2, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the Board of Fire Commissioners, Township of Jackson, District No. 2's basic financial statements, and have issued our report thereon dated August 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Fire Commissioners, Township of Jackson, District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Fire Commissioners, Township of Jackson, District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Fire Commissioners, Township of Jackson, District No. 2's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

Board of Fire Commissioners Township of Jackson, District No. 2

Compliance and Other Matters

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

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 in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MoHEL Elliott Bauer & Gass

Toms River, New Jersey
August 9, 2018

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Our discussion and analysis of District No. 2 Township of Jackson financial performance provides an overview of the District's financial activities for the year ended December 31, 2017. Please review it in conjunction with the Districts' basic financial statements which begin on Page 9.

Financial Highlights

- Total net position decreased \$404,139, which represents a 16.11 percent decrease. This decrease in net position is primarily the result of noncash pension expense in the amount of \$272,434 and \$173,978 in 2017 and 2016, respectively.
- The amount raised by taxation was \$1,644,914 or 92.41 percent of all revenues. Fees under the Uniform Fire Safety Act, interest and other income amounted to \$135,044 or 7.59 percent of all revenues.
- Total program expenses have increased \$174,168 or 8.67 percent. The increase was primarily due to the increase in non cash pension expense of \$98,456.
- As described in the notes to the financial statements the District has adopted the provisions of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68.

Using this Annual Report

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Activities (on pages 9 and 10) provide information about the activities of the District as a whole. Fund financial statements are on pages 12 - 15. These statements tell how these services were financed. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statements of Net Position and the Statements of Activities

Our analysis of the District as a whole begins on page 9. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position—the difference between assets and liabilities as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 12. The fund financial statements provide detailed information about the most significant funds-not the District as a whole.

General Fund - Most of the District's basic services are reported in the general fund, which focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending. The general fund statements provide a detailed *short-term view* of the District's general operations and the basic services it provides. General 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 programs.

The District as a Whole

The District's total net position decreased \$404,139, to \$2,104,867. Details of the changes are reflected on page 10.

Original Versus Final Budget

Page 41 reflects the variances between the original and final budgeted amounts.

Final Budget Versus Actual Results

As reflected on page 41, the District operated within budgetary constraints. Actual expenses were under the final budget by \$144,032.

Capital Assets

At year end, the District had \$6,722,097 in total capital assets, an increase of \$180,140. During 2017, the District purchased a generator, \$73,050, extrication equipment, \$61,289 and a 2017 Ford Interceptor, \$45,801.

Debt Administration

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. The note bears interest at the rate of 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 note bears interest at the rate of 5.76%.

For additional information please refer to page 22, capital lease obligations payable.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Economic Factors and Next Year's Budget and Rates

The District's governing body considered many factors when setting the 2018 budget and tax rates including the economy, the rate of inflation, debt service and planned future capital projects. The tax rate will increase .009 for 2018. The new tax rate will be .091 per \$100 of assessed valuation. The amount to be raised by taxation will increase \$184,161 to \$1,829,075.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Clerk at 785 Miller Ave., Jackson NJ 08527.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,523,790	\$ 2,172,266
Accounts receivable	34,144	502,275
Prepaid expenses	73,927	69,588
Capital assets, net	1,948,020	2,028,287
Contribution receivable - length of service award program	32,436	31,962
Cash and investments - length of service award program	<u>367,637</u>	<u>330,630</u>
Total assets	<u>4,979,954</u>	<u>5,135,008</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - PERS	422,741	96,937
Deferred outflows - PFRS	<u>938,412</u>	<u>693,826</u>
Total deferred outflows of resources	<u>1,361,153</u>	<u>790,763</u>
Total assets and deferred outflows of resources	<u>6,341,107</u>	<u>5,925,771</u>
LIABILITIES		
Accounts payable and accrued expenses	316,555	254,390
Capital lease obligation payable	311,812	430,230
Due to fire company	13,963	12,838
Net pension liability - PERS	590,583	299,477
Net pension liability - PFRS	1,934,620	1,777,272
Net assets available for program benefits - length of service award program	<u>400,073</u>	<u>362,592</u>
Total liabilities	<u>3,567,606</u>	<u>3,136,799</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - PERS	217,895	140,066
Deferred inflows - PFRS	328,189	11,650
Deferred inflows - other	<u>122,550</u>	<u>128,250</u>
Total deferred inflows of resources	<u>668,634</u>	<u>279,966</u>
Total liabilities and deferred inflows of resources	<u>4,236,240</u>	<u>3,416,765</u>
NET POSITION		
Invested in capital assets, net of related debt	1,636,208	1,598,057
Restricted for capital projects	970,620	593,670
Unrestricted	<u>(501,961)</u>	<u>317,279</u>
Total net position	<u>\$ 2,104,867</u>	<u>\$ 2,509,006</u>

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

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

**STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
EXPENSES		
Personnel services	\$ 1,279,189	\$ 1,190,575
Material and services	575,429	529,628
Debt service - interest	18,602	23,209
Capital outlays	50,470	4,181
Depreciation	<u>260,407</u>	<u>262,336</u>
Total program expenses	2,184,097	2,009,929
 PROGRAM REVENUES		
Charges for services	<u>85,607</u>	<u>122,031</u>
Net program expenses	2,098,490	1,887,898
 GENERAL REVENUES		
Amount raised by taxation	1,644,914	1,479,875
Interest income	6,759	3,639
Other income	<u>42,678</u>	<u>31,149</u>
Total general revenues	1,694,351	1,514,663
Increase (decrease) in net position	(404,139)	(373,235)
 Net position - beginning of year	2,509,006	2,060,163
Transfer from Jackson Fire District No. 1	<u>822,078</u>	<u>822,078</u>
Net position beginning of year, as restated	<u>2,509,006</u>	<u>2,882,241</u>
 Net position - end of year	<u>\$ 2,104,867</u>	<u>\$ 2,509,006</u>

The accompanying notes are an integral
part of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from operations	\$ 2,192,952	\$ 1,122,413
Cash paid to suppliers and employees	(1,592,306)	(1,670,529)
Interest income received	6,759	3,639
Other income	42,678	31,149
	<u>650,083</u>	<u>(513,328)</u>
Net cash provided (used) by operating activities		
Cash flow from investing activities:		
Capital expenditures	(180,140)	(199,264)
	<u>(180,140)</u>	<u>(199,264)</u>
Net cash (used) by investing activities		
Cash flow from financing activities:		
Principal payments - capital lease	(118,419)	(113,813)
	<u>(118,419)</u>	<u>(113,813)</u>
Net cash (used) in financing activities		
Net increase (decrease) in cash and cash equivalents	351,524	(826,405)
Cash and cash equivalents at beginning of year	<u>2,172,266</u>	<u>2,998,671</u>
Cash and cash equivalents at end of year	<u>\$ 2,523,790</u>	<u>\$ 2,172,266</u>
Reconciliation of change in net position to net cash provided (used) by operating activities:		
Change in net position	\$ (404,139)	\$ (373,235)
Adjustments to reconcile change in net position to cash provided by operating activities		
Depreciation	260,407	262,336
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	468,131	(473,793)
Prepaid expenses	(4,339)	(20,887)
Contribution receivable - length of service award program	(474)	14,103
Cash and investments - length of service award program	(37,007)	(5,845)
Deferred outflows - PERS/PFRS	(570,390)	(442,438)
Increase (decrease) in:		
Accounts payable and accrued expenses	62,166	(66,413)
Due to fire company	1,125	(9,614)
Net pension liability PERS/PFRS	448,454	679,797
Net assets available for program benefits - length of service award program	37,481	(8,258)
Deferred inflows - PERS/PFRS and other	388,668	(69,081)
	<u>1,054,222</u>	<u>(140,093)</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 650,083</u>	<u>\$ (513,328)</u>

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

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
YEAR ENDED DECEMBER 31, 2017

	GENERAL FUND	CAPITAL FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS					
Cash and cash equivalents	\$ 1,553,170	\$ 970,620	\$ 2,523,790		\$ 2,523,790
Accounts receivable	34,144		34,144		34,144
Prepaid expenses	73,927		73,927		73,927
Capital assets, net				1,948,020	1,948,020
Contribution receivable - length of service award program	32,436		32,436		32,436
Cash and investments - length of service award program	367,637		367,637		367,637
Total assets	<u>2,061,314</u>	<u>970,620</u>	<u>3,031,934</u>	<u>1,948,020</u>	<u>4,979,954</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - PERS				422,741	422,741
Deferred outflows - PFRS				938,412	938,412
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,361,153</u>	<u>1,361,153</u>
LIABILITIES					
Accounts payable and accrued expenses	316,555		316,555	311,812	316,555
Capital lease obligation payable				13,963	13,963
Due to fire company	13,963		13,963	590,583	590,583
Net pension liability - PERS				1,934,620	1,934,620
Net pension liability - PFRS					
Net assets available for program benefits - length of service award program				400,073	400,073
Total liabilities	<u>330,518</u>	<u>-</u>	<u>330,518</u>	<u>3,237,088</u>	<u>3,567,606</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - PERS				217,895	217,895
Deferred inflows - PFRS				328,189	328,189
Deferred inflows - other				122,550	122,550
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,634</u>	<u>668,634</u>
FUND BALANCES					
Restricted for Capital Projects		970,620	970,620	(970,620)	-
Restricted for length of service award program	400,073		400,073	(400,073)	-
Assigned - other					
Assigned - Designated for subsequent year's expenditures					
Unassigned	1,330,723		1,330,723	(1,330,723)	-
Total fund balances	<u>1,730,796</u>	<u>970,620</u>	<u>2,701,416</u>	<u>(2,701,416)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,061,314</u>	<u>\$ 970,620</u>	<u>\$ 3,031,934</u>		<u>\$ 2,104,867</u>
NET POSITION					
Invested in capital assets, net of related debt					1,636,208
Restricted for capital projects					970,620
Unrestricted					(501,961)
Total net position					<u>\$ 2,104,867</u>

The accompanying notes are an integral part of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
YEAR ENDED DECEMBER 31, 2016

	GENERAL FUND	CAPITAL FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS					
Cash and cash equivalents	\$ 1,578,596	\$ 593,670	\$ 2,172,266		\$ 2,172,266
Accounts receivable	502,275		502,275		502,275
Prepaid expenses	69,588		69,588		69,588
Capital assets, net					
Contribution receivable - length of service award program	31,962		31,962	2,028,287	2,028,287
Cash and investments - length of service award program	330,630		330,630		31,962
Total assets	2,513,051	593,670	3,106,721	2,028,287	330,630
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - PERS					
Deferred outflows - PERS					
Total deferred outflows of resources	-	-	-	96,937	96,937
LIABILITIES					
Accounts payable and accrued expenses	254,390		254,390	430,230	254,390
Capital lease obligation payable	12,838		12,838		430,230
Due to fire company					12,838
Net pension liability - PERS				299,477	299,477
Net pension liability - PFRS				1,777,272	1,777,272
Net assets available for program benefits - length of service award program					
Total liabilities	267,228	-	267,228	362,592	362,592
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - PERS					
Deferred inflows - PFRS					
Deferred inflows - other					
Total deferred inflows of resources	-	-	-	140,066	140,066
FUND BALANCES					
Restricted for Capital Projects	362,592	593,670	593,670	(593,670)	-
Restricted for length of service awards program	37,838		37,838	(362,592)	-
Assigned - other				(37,838)	-
Assigned - Designated for subsequent year's expenditures	655,500		655,500	(655,500)	-
Unassigned	1,189,893		1,189,893	(1,189,893)	-
Total fund balances	2,245,823	593,670	2,839,493	(2,839,493)	-
Total liabilities and fund balances	\$ 2,513,051	\$ 593,670	\$ 3,106,721		\$ -
NET POSITION					
Invested in capital assets, net of related debt					1,598,057
Restricted for capital projects					593,670
Unrestricted					317,279
Total net position					\$ 2,509,006

The accompanying notes are an integral part of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT
OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	General Fund	Restricted for Capital Projects	Total	Adjustments	Statement of Activities
Revenues:					
Amount raised by taxation	\$ 1,154,914	\$ 490,000	\$ 1,644,914		\$ 1,644,914
Interest income	6,759		6,759		6,759
Charges for services	85,607		85,607		85,607
Investment income - length of service award program	33,617		33,617	(33,617)	-
Other income	36,978		36,978	5,700	42,678
Total revenues	1,317,875	490,000	1,807,875	(27,917)	1,779,958
Expenditures:					
Personnel services	975,993		975,993	303,196	1,279,189
Materials and services	575,429		575,429		575,429
Capital Outlays	117,560	113,050	230,610	(180,140)	50,470
Depreciation			-	260,407	260,407
Participant distributions and forfeitures length of service award program	26,899		26,899	(26,899)	-
Debt service	137,021		137,021	(118,419)	18,602
Total expenditures	1,832,902	113,050	1,945,952	238,145	2,184,097
Excess (deficiency) of revenues over expenditures	(515,027)	376,950	(138,077)	138,077	(404,139)
Change in net position				(404,139)	(404,139)
Fund balance/net position					
Beginning of year - 2017	2,245,823	593,670	2,839,493		2,509,006
End of year - 2017	<u>\$ 1,730,796</u>	<u>\$ 970,620</u>	<u>\$ 2,701,416</u>		<u>\$ 2,104,867</u>

The accompanying notes are an integral part of these financial statements.
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BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT
OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	General Fund	Restricted for Capital Projects	Total	Adjustments	Statement of Activities
Revenues:					
Amount raised by taxation	\$ 1,479,875		\$ 1,479,875		\$ 1,479,875
Interest income	3,639		3,639		3,639
Charges for services	122,031		122,031		122,031
Investment income - length of service award program	18,878		18,878	(18,878)	-
Other Income	31,149		31,149		31,149
Total revenues	<u>1,655,572</u>	-	<u>1,655,572</u>	<u>(18,878)</u>	<u>1,636,694</u>
Expenditures:					
Personnel services	989,813		989,813	200,762	1,190,575
Materials and services	529,628		529,628		529,628
Capital Outlays	14,807	188,638	203,445	(199,264)	4,181
Depreciation			-	262,336	262,336
Participant distributions and forfeitures length of service award program	37,754		37,754	(37,754)	-
Debt service	137,022		137,022	(113,813)	23,209
Total expenditures	<u>1,709,024</u>	<u>188,638</u>	<u>1,897,662</u>	<u>112,267</u>	<u>2,009,929</u>
Excess (deficiency) of revenues over expenditures	(53,452)	(188,638)	(242,090)	242,090	(373,235)
Change in net position				(373,235)	(373,235)
Fund balance/net position					
Beginning of year - 2016 - restated	2,139,815	718,924	2,858,739		2,060,163
Transfer from Jackson Fire District No. 1	159,460	63,384	222,844		822,078
End of year - 2016	<u>\$ 2,245,823</u>	<u>\$ 593,670</u>	<u>\$ 2,839,493</u>		<u>\$ 2,509,006</u>

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Board of Fire Commissioners District No. 2 (the "District") is a corporate body created for the purpose of prevention and extinguishment of fires within the District. The District is governed by Commissioners ("Board") that acts as the governing body. The Board is comprised of five elected Commissioners.

The Board of Commissioners annually appoints the Chair(person) of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the District, its officers and employees to the extent set forth in their bylaws.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District.

Fund Accounting - The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws and the bylaws of the District.

Restricted for Capital Projects - Restricted for Capital Projects is used to account for funds restricted for capital projects.

Invested in Capital Assets, Net of Related Debt - Invested in capital assets, net of related debt represents the District's capital assets less accumulated depreciation, net of related debt.

Basis of Accounting - The financial statements of the Board of Fire Commissioners District No. 2 Township of Jackson have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and investments with an initial maturity of three months or less.

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

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amount as of the current year end. The encumbrances at December 31, 2017 and 2016 totaled \$0 and \$37,838, respectively.

Related Party Transactions - The Board leases facilities from Cassville Volunteer Fire Company No. 1. The lease is for the term of one year and is automatically renewable from year to year unless either party notifies the other by written notice prior to the expiration of the term that the lease will not be renewed. Rental is paid in the amount of \$30,000 per annum. In addition, the Board has entered into a fire protection service agreement with the Whitesville Volunteer Fire Company No. 1. The Whitesville Volunteer Fire Company agrees to provide fire protection/fire suppression services to all persons and property situated within the boundaries of Fire District No. 2 in the Township of Jackson. Consideration for these services is \$10,000 per annum.

Reservations of Fund Balance - The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the general fund balance sheet. Unrestricted net position indicates that portion of fund equity, which is available for appropriations, in future periods. Net position reserves have been established for capital projects.

Net Position - Net position presents the difference between assets and liabilities in the statements of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Capital assets generally result from expenditures in the reserve for capital projects. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Reclassifications - Certain reclassifications have been made to the 2016 financial statements to conform with the 2017 presentation.

Fund Balances - In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District classifies governmental fund balances as follows:

Nonspendable Fund Balance - Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (2) imposed by law through constitution provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority are reported as committed fund balance. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (e.g., legislation) it employed to previously commit these amounts.

Assigned Fund Balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - Unassigned fund balance 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.

Deferred Outflows and Deferred Inflows of Resources - Deferred outflows of resources represents a consumption of net position that is applicable to a future reporting period(s). Deferred outflows of resources will not be recognized as an outflow of resources (expenses/expenditure) until then.

Deferred inflows of resources represents an acquisition of net position that is applicable to a future reporting period(s). Deferred inflows of resources will not be recognized as an inflow of resources (revenue) until that time.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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

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

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

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

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

Subsequent Events - The District has evaluated subsequent events through August 9, 2018 the date the financial statements were available to be issued.

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

	<u>2017</u>	<u>2016</u>
Fund balances - pages 12 and 13	\$ 2,701,416	\$ 2,839,493
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,948,020	2,028,287
Deferred outflows - PERS not reported in the funds	422,741	96,937
Deferred outflows - PFRS not reported in the funds	938,412	693,826
Capital lease obligation payable not reported in the funds	(311,812)	(430,230)
Net pension liability not reported in the funds - PERS	(590,583)	(299,477)
Net pension liability not reported in the funds - PFRS	(1,934,620)	(1,777,272)
Net assets available for program benefits - length of service award program reported as fund balance in general fund and liability in statement of net position	(400,073)	(362,592)
Deferred inflows - PERS not reported in the funds	(217,895)	(140,066)
Deferred inflows - PFRS not reported in the funds	(328,189)	(11,650)
Deferred inflows - other	<u>(122,550)</u>	<u>(128,250)</u>
Total adjustments	<u>(596,549)</u>	<u>(330,487)</u>
Total net position	<u>\$ 2,104,867</u>	<u>\$ 2,509,006</u>

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
in the Government Fund to the Statement of Activities

	<u>2017</u>	<u>2016</u>
Excess (deficiency) of revenues over expenditures - pages 14 and 15	\$ <u>(138,077)</u>	\$ <u>(242,090)</u>
Investment income and participant distributions and forfeitures - length of service award program are not revenue or expense in the government wide financial statements as they are payable to the volunteers in accordance with the plan benefits	(33,617)	(18,878)
Deferred inflows - other	5,700	
District contributions to length of service award program is not reported in the government funds as expenditures. However in the statement of activities the expense is equal to the amount of contributions to the volunteers accounts	(30,762)	(26,784)
Noncash pension expense	(272,434)	(173,978)
Capital outlays	180,140	199,264
Depreciation expense	(260,407)	(262,336)
Participant distributions and forfeitures - length of service award program	26,899	37,754
Principal payments on capital lease obligation payable	<u>118,419</u>	<u>113,813</u>
Total adjustments	<u>(266,062)</u>	<u>(131,145)</u>
Change in net position	<u>\$ (404,139)</u>	<u>\$ (373,235)</u>

(Continued)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

CAPITAL ASSETS

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

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life (Years)</u>
Assets			
Land	\$ 165,000	\$ 165,000	
Buildings and leasehold improvements	2,227,308	2,154,258	20 - 30
Apparatus	3,727,037	3,681,236	10 - 25
Fire equipment	<u>602,752</u>	<u>541,463</u>	10 - 25
	6,722,097	6,541,957	
Less: accumulated depreciation	<u>(4,774,077)</u>	<u>(4,513,670)</u>	
	<u>\$ 1,948,020</u>	<u>\$ 2,028,287</u>	

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 69,947	\$ 64,193
Accrued LOSAP	32,436	26,784
Accrued vacation	58,008	45,628
Accrued pension	140,339	102,290
Accrued expenses	<u>15,825</u>	<u>15,495</u>
	<u>\$ 316,555</u>	<u>\$ 254,390</u>

PRIOR PERIOD ADJUSTMENT

As of January 1, 2016 the General Fund balance has been restated as follows for the implementation of GASB Statement No. 73. Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and amendment of GASB Statements 67 and 68.

Governmental Fund - General Fund as previously reported at January 1, 2016	\$ 393,157
Restatement to reflect Length of Service Award Program balance as of January 1, 2016, remove pension related items and deferred outflows - other from the general fund	<u>1,746,658</u>
Governmental Fund - General Fund as restated as of January 1, 2016	<u>\$ 2,139,815</u>

(Continued)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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%

The following schedule of future lease payments under the leases together with the present value of the lease payments as of December 31, 2017:

<u>Due Date</u>	<u>Rosenbauer Fire Truck</u>	<u>109' Aerial Ladder Truck</u>	<u>Totals</u>
2018	\$ 63,772	\$ 73,250	\$ 137,022
2019	63,772	73,250	137,022
2020	<u>63,772</u>	<u> </u>	<u>63,772</u>
Total lease payments	191,316	146,500	337,816
Less: amount representing interest	<u>(20,093)</u>	<u>(5,911)</u>	<u>(26,004)</u>
Present value of lease payments	\$ <u>171,223</u>	\$ <u>140,589</u>	\$ <u>311,812</u>

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)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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 www.state.nj.us/treasury/pensions/annrprts.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 before age 62 with 25 or more years of service credit 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)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

PENSION PLAN - (Continued)

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 15 A 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 2015, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - As of December 31, 2017, the District reported a liability of \$590,583 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The District's proportion of the net position liability was based on the District's actual contributions to the plan relative to the total of all participating employer's contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017 was .002537% which was an increase of .001527 from it's proportion measured as of June 30, 2016.

(Continued)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

PENSION PLAN - (Continued)

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

Collective Balances as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Actuarial valuation date	July 1, 2016	July 1, 2015
Deferred outflows of resources	\$ 422,741	\$ 96,937
Deferred inflows of resources	\$ 217,895	\$ 140,066
Net pension liability	\$ 590,583	\$ 299,477
District's portion of the plan's total net pension liability	0.002537%	0.00101%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2017, the District recognized pension expense of \$66,634. As of December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 118,982	\$ 118,546
Net difference between expected and actual experience	13,906	
Net difference between projected and actual earnings on pension plan investments	4,021	
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>285,832</u>	<u>99,349</u>
Total	<u>\$ 422,741</u>	<u>\$ 217,895</u>

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

<u>Year Ended June 30:</u>	<u>PERS</u>
2018	\$ 155,085
2019	234,026
2020	141,808
2021	(188,605)
2022	<u>(137,468)</u>
Total	<u>\$ 204,846</u>

(Continued)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

PENSION PLAN - (Continued)

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

Actuarial Assumptions - The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Measurement date	June 30, 2017
Actuarial valuation date	July 1, 2016
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 and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection 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, 2016 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)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

PENSION PLAN - (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public 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 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017, 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 average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumption, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(Continued)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 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 (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 732,658	\$ 590,583	\$ 472,217

Police and Firemen's Retirement System (PFRS)

Plan Description - The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.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, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

PENSION PLAN - (Continued)

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

Basis of Presentation - The schedules 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.

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 2017, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 which 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, 2017, the District reported a liability of \$1,934,620 for its proportionate share of the PFRS new pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. 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, 2017. The District's proportion measured as of December 31, 2017, was .012531%, which was an increase of .003227% from its proportion measured as of December 31, 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	2017	2016
Actuarial valuation date	July 1, 2016	July 1, 2015
Deferred Outflows of Resources	\$ 938,412	\$ 693,826
Deferred Inflows of Resources	\$ 328,189	\$ 11,650
Net Pension Liability	\$ 1,934,620	\$ 1,777,272
District's portion of the Plan's total net pension liability	0.012531%	0.009304%

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017, the District recognized pension expense of \$340,206. At December 31, 2017, 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	\$ 238,560	\$ 316,834
Net difference between expected and actual experience	12,551	11,355
Net difference between projected and actual earnings on pension plan investments	36,917	
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>650,384</u>	
	<u>\$ 938,412</u>	<u>\$ 328,189</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>
2018	\$	164,310
2019		203,537
2020		136,115
2021		109,185
2022		<u>(2,924)</u>
Total	\$	<u>610,223</u>

(Continued)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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 \$149,247 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The State's proportion of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2017 .012531%, which was an increase of .003227% from its proportion measured as of June 30, 2016, which is the same proportion as the District's.

District's Proportionate Share of the Net Pension Liability	\$ 1,934,620
State's Proportionate Share of the New Pension Liability Associated With the District	<u>216,694</u>
Total Net Pension Liability	<u>\$ 2,151,314</u>

Actuarial Assumptions - The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The actuarial valuations used the following actuarial assumptions:

Measurement date	June 30, 2017
Actuarial valuation date	July 1, 2016
Interest date	7.00%
Salary Scale	Through 2026 - 2.10% - 8.98% Based on Age
	Thereafter - 3.10% - 9.98% Based on Age
Inflation rate	2.25%

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

PENSION PLAN - (Continued)

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

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection BB.

The actuarial assumptions used in the July 1, 2016 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>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public 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)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

PENSION PLAN - (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. 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 3.58% as of June 30, 2017, 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 employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14%) or 1-percentage-point higher (7.14%) than the current rate:

	<u>1% Decrease</u> <u>(5.14%)</u>	<u>Current Discount</u> <u>Rate (6.14%)</u>	<u>1% Increase</u> <u>(7.14%)</u>
District's proportionate share of the net pension liability	\$ 2,549,021	\$ 1,934,620	\$ 1,429,820

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 \$1,709 for the year ended December 31, 2017, per eligible volunteer, into the Plan. Participants direct the investment of the contributions into various investment options offered by the Plan. For the years ended December 31, 2017 and 2016 the District contributed \$32,436 and \$31,962 respectively to the plan.

Participant Accounts

Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. For the period ended December 31, 2017, 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. Such funds shall remain the asset of the District; the obligation of the District to participating volunteers shall be contractual only. Such money shall be subject to the claims of the District's general creditors until distributed to any of all participants.

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.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

LENGTH OF SERVICE AWARD PROGRAM - (Continued)

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. During the years ended December 31, 2017 and 2016 payments of \$27,623 and \$36,095 respectively were made to vested participants.

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 years ended December 31, 2017 and 2016 forfeitures were \$0 and \$1,659, respectively.

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.

The fair value of the Plan's investments at December 31, 2017 and 2016 were as follows:

	2017	2016
Pooled Separate Accounts	\$ <u>367,637</u>	\$ <u>330,630</u>

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

PLAN TERMINATION

Although the Fire District has not expressed any intent to do so, a length of service awards program, pursuant to N.J.S.A. 40A:14-187 and N.J.A.C. 5:30-11.08, may be abolished or amended in the same way by which it was created, except in the case of minor amendments. Upon such termination, vested, accumulated deferrals will be paid.

CONTRIBUTION RECEIVABLES - LENGTH OF SERVICE AWARD PROGRAM

Receivables as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
The Board of Fire Commissioners District No. 2	\$ <u>32,436</u>	\$ <u>31,962</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)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means;

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

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)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017.

Assets at Fair Value as of December 31, 2017

Pooled Separate Accounts with Lincoln Financial:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
American Funds Global Growth	\$ 3,982	\$	\$	\$ 3,982
American Funds Growth	3,112			3,112
American Funds Growth-Income	5,374			5,374
Blackrock Global Allocation	388			388
Delaware VIP High Yield	311			311
Delaware VIP Reit	3,294			3,294
Delaware VIP Small Cap Value	2,602			2,602
Delaware VIP Smid Cap Core Series	2,037			2,037
Fidelity VIP Contrafund	2,872			2,872
Fixed Account	68,593			68,593
LVIP Blended Lrg Cap Growth Mngd Volatility	378			378
LVIP Delaware Bond	551			551
LVIP Delaware Special Opportunities	2,995			2,995
LVIP Dimensional US Core Equity 1	1,897			1,897
LVIP Mondrian International Value	2,680			2,680
LVIP SSGA Bond Index	591			591
LVIP SSGA S&P 500 Index	117,834			117,834
LVIP SSGA Small-Cap Index	1,141			1,141
MFS Utilities	3,284			3,284
	<u>223,916</u>	<u>-</u>	<u>-</u>	<u>223,916</u>
Pooled Separate Accounts with Lincoln Financial	\$ <u>223,916</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>223,916</u>

Pooled Separate Accounts with Valic:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Account Plus	\$ 10,051	\$	\$	\$ 10,051
Global Social Awareness Fund	4,621			4,621
Government Securities Fund	300			300
International Equities Index Fund	4,600			4,600
Int'l Opportunities	391			391
Large Capital Growth	1,888			1,888
Mid Cap Index Fund	13,728			13,728
Science & Technology Fund	2,589			2,589
Short Term Fixed Account	90,956			90,956
Small Cap Index Fund	6,895			6,895
Stock Index Fund	7,702			7,702
	<u>143,721</u>	<u>-</u>	<u>-</u>	<u>143,721</u>
Pooled Separate Accounts with Valic	\$ <u>143,721</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>143,721</u>
Total Assets at Fair Value	<u>\$ 367,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,637</u>

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

LENGTH OF SERVICE AWARD PROGRAM - CASH AND INVESTMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2016.

Assets at Fair Value as of December 31, 2016

Pooled Separate Accounts with Lincoln Financial:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
American Funds Global Growth	\$ 2,970	\$ -	\$ -	\$ 2,970
American Funds Growth	2,152	-	-	2,152
American Funds Growth-Income	4,063	-	-	4,063
Blackrock Global Allocation	178	-	-	178
Delaware VIP High Yield	295	-	-	295
Delaware VIP Reit	3,106	-	-	3,106
Delaware VIP Small Cap Value	2,260	-	-	2,260
Delaware VIP Smid Cap Core Series	1,748	-	-	1,748
Fidelity VIP Contrafund	2,289	-	-	2,289
Fixed Account	59,949	-	-	59,949
LVIP Blended Lrg Cap Growth Mngd Volatility	305	-	-	305
LVIP Delaware Bond	539	-	-	539
LVIP Delaware Special Opportunities	2,487	-	-	2,487
LVIP Dimensional US Core Equity 1	1,600	-	-	1,600
LVIP Mondrian International Value	2,051	-	-	2,051
LVIP SSGA Bond Index	435	-	-	435
LVIP SSGA S&P 500 Index	88,717	-	-	88,717
LVIP SSGA Small-Cap Index	960	-	-	960
MFS Utilities	2,710	-	-	2,710
Pooled Separate Accounts with Lincoln Financial	\$ 178,814	\$ -	\$ -	\$ 178,814

Pooled Separate Accounts with Valic:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Account Plus	\$ 9,857	\$ -	\$ -	\$ 9,857
Global Social Awareness Fund	3,803	-	-	3,803
Government Securities Fund	296	-	-	296
International Equities Fund	3,736	-	-	3,736
Int'l Opportunities	2,631	-	-	2,631
Mid Cap Index Fund	14,898	-	-	14,898
Science & Technology Fund	5,064	-	-	5,064
Short Term Fixed Account	93,234	-	-	93,234
Small Cap Index Fund	8,971	-	-	8,971
Stock Index Fund	9,326	-	-	9,326
Total Pooled Separate Accounts with Valic	\$ 151,816	\$ -	\$ -	\$ 151,816
Total Assets at Fair Value	\$ 330,630	\$ -	\$ -	\$ 330,630

REQUIRED SUPPLEMENTARY INFORMATION

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Amount raised by taxation	\$ 1,644,914	\$ 1,644,914	\$ 1,644,914	\$ -
Interest income	3,300	3,300	6,759	3,459
Uniform fire safety act	116,500	116,500	85,607	(30,893)
Miscellaneous revenue	12,745	12,745	42,678	29,933
Unrestricted net position utilized	655,500	655,500	655,500	-
Total revenues	<u>2,432,959</u>	<u>2,432,959</u>	<u>2,435,458</u>	<u>2,499</u>
Expenditures				
Commissioners salaries	8,750	8,750	8,750	-
Administrative salaries	176,175	177,175	177,145	30
Firefighters salaries	459,690	389,690	381,572	8,118
Purchase of assets not included as capital outlays	81,000	81,000	79,722	1,278
PERS/PFRS expense	88,376	136,376	135,412	964
Employee benefits	265,347	232,347	215,897	16,450
Office expense	5,400	11,400	11,356	44
Professional services	50,000	55,000	54,362	638
Payroll service fees	5,500	6,500	5,011	1,489
Physicals	10,000	12,000	11,848	152
Insurance	165,000	191,000	190,960	40
Maintenance and repairs	140,000	143,000	142,119	881
Supplies	5,000	7,000	6,675	325
Fire suppression contract	40,500	40,500	40,000	500
Training and education	10,000	11,000	10,224	776
Uniforms and personal equipment	37,000	37,000	19,303	17,697
Utilities	40,000	46,000	45,561	439
Fire bureau expenses				-
Fuel	20,000	21,000	20,714	286
Hydrant rental	38,000	38,000	35,945	2,055
Election	1,500	1,500	1,377	123
Advertising	2,000	3,000	2,046	954
Travel	200	200		200
Uniform fire safety act	116,500	116,500	35,145	81,355
Capital appropriations	490,000	490,000	490,000	-
Debt service appropriations	137,021	137,021	137,021	-
LOSAP	40,000	40,000	30,762	9,238
Total expenditures	<u>2,432,959</u>	<u>2,432,959</u>	<u>2,288,927</u>	<u>144,032</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,531</u>	<u>\$ 146,531</u>

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF JACKSON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
RECONCILIATION OF BUDGET TO STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017

Sources/Inflows of Resources:

Actual amount (budgetary basis) total revenues from budgetary comparison schedule (page 41)	\$ 2,435,458
Fund balance utilized not reflectd as revenues on the statement of revenues , expenditures and changes in fund balance unrestricted net position utilized	(655,500)
restricted net position utilized	(5,700)
Deferred inflows - other	(5,700)
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income	33,617
	33,617

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance (page 14)	\$ <u><u>1,807,875</u></u>
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Use/Outflows of Resources:

Actual amount (budgetary basis) total expenditures from budgetary comparison schedule (page 41)	2,288,927
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	(30,762)
Participant distributions and forfeitures	26,899
Prior year encumbrances	37,838
Difference between capital appropriations and capital outlays - restricted for capital projects	(376,950)
	(376,950)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance (page 14)	\$ <u><u>1,945,952</u></u>
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BOARD OF FIRE COMMISSIONERS
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,				
	2017	2016	2015	2014	2013
District's Proportionation of the Net Pension Liability	0.00254%	0.00101%	0.00092%	0.00090%	0.00227%
District's Proportionate Share of the Net Pension Liability	\$ 590,583	\$ 299,477	\$ 205,803	\$ 167,858	\$ 433,563
District's Covered-Employee Payroll	\$ 139,307	\$ 66,400	\$ 63,240	\$ 62,000	\$ 132,872
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	423.94%	451.02%	325.43%	270.74%	326.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

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

	For the year ended December 31,				
	2017	2016	2015	2014	2013
Districts Contractually Required Contribution	\$ 23,503	\$ 8,983	\$ 7,882	\$ 7,391	\$ 17,093
District's Contribution in Relation to the Contractually Required Contribution	23,503	8,983	7,882	7,391	17,093
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 175,760	\$ 139,307	\$ 66,400	\$ 63,240	\$ 62,000
District's Contributions as a Percentage of it's Covered-Employee Payroll	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.

BOARD OF FIRE COMMISSIONERS
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,				
	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.01253%	0.00930%	0.00715%	0.00673%	0.00615%
District's Proportionate Share of the Net Pension Liability	\$ 1,934,620	\$ 1,777,272	\$ 1,191,149	\$ 846,898	\$ 817,714
District's Covered-Employee Payroll	\$ 375,698	\$ 298,100	\$ 249,569	\$ 212,648	\$ 179,104
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	514.94%	596.20%	477.28%	398.26%	456.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.31%	62.41%	58.70%

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

	For the year ended December 31,				
	2017	2016	2015	2014	2013
District's Contractually Required Contribution	\$ 110,906	\$ 75,858	\$ 58,129	\$ 51,711	\$ 44,876
District's Contribution in Relation to the Contractually Required Contribution	<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>
District's Covered-Employee Payroll	\$ 328,929	\$ 375,698	\$ 298,100	\$ 249,569	\$ 212,648
District's Contributions as a Percentage of it's Covered-Employee Payroll	33.72%	20.19%	19.50%	20.72%	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
DISTRICT NO. 2
TOWNSHIP OF JACKSON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016, to 5.00% as of June 30, 2017.

Police and Firemen's Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2016, to 6.14% as of June 30, 2017.

Length of Service Awards Program (LOSAP)

Changes in Benefit Terms

None.

Changes of Assumptions

None.

OTHER SUPPLEMENTARY INFORMATION

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

STATISTICAL INFORMATION

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 year:

<u>Calendar Year</u>	<u>Valuations (Unaudited)</u>	<u>Assessed Total Tax Levy</u>	<u>Property Tax Rates (Per \$100)</u>
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

UNRESTRICTED NET POSITION:

Following is a tabulation of unrestricted net position and subsequent budget action thereon for the current and preceding year:

<u>Calendar Year Ended</u>	<u>End of Calendar Year</u>	<u>Assigned Utilization in Subsequent Budget</u>	<u>Unassigned</u>
12/31/2017	\$ (501,961)	\$	\$ (501,961)
12/31/2016	\$ 317,279	\$ 655,500	\$ (338,221)
12/31/2015	\$ 2,060,163	\$ 221,000	\$ 1,839,163

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

<u>Name</u>	<u>Amount of Dishonesty Bond</u>
<u>Board of Commissioners</u>	
Vincent Rubio, President	\$ 3,000,000
John Ryan, Vice President	\$ 3,000,000
Robert Redington, Treasurer	\$ 3,000,000
John Poppe, II, Secretary	\$ 3,000,000
Martin Flemming, Commissioner	\$ 3,000,000

Surety Name

VFIS