

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
WITH
INDEPENDENT AUDITOR'S REPORT**

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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MOHEL ELLIOTT BAUER & GASS

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FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

8 EXECUTIVE DRIVE, SUITE 1, TOMS RIVER, NEW JERSEY 08755
732/363-6500 FAX: 732/363-0675
WWW.MEBGCPA.COM



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 2, Township of Jackson in the County of Ocean, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with auditing standards prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fire District No. 2, Township of Jackson in the County of Ocean, as of December 31, 2019, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2020, on our consideration of the Fire District No. 2, Township of Jackson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fire District No. 2, Township of Jackson's internal control over financial reporting and compliance.

MoHEL Elliott Bauer & Gass

Toms River, New Jersey
October 8, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the government activities and each major fund of Fire District No. 2, Township of Jackson in the County of Ocean, State of New Jersey as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the Fire District No. 2, Township of Jackson's basic financial statements, and have issued our report thereon dated October 8, 2020.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

MoHEL Elliott Bauer & Gass

Toms River, New Jersey
October 8, 2020

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

As management of Fire District No. 2, Township of Jackson (hereafter referred to as the "Fire District") we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance, their understanding of the Fire District's financial performance.

Financial Highlights

- The net position of the fire district which represents the difference between assets and liabilities was \$1,955,988. This represents a decrease of \$(137,223) from 2018.
- The amount raised by taxation was \$1,948,350 or 92.17% of all revenues.
- Total expenditures were \$2,251,182 as compared to \$2,049,238 in 2018; an increase of \$201,944 or 9.85%. Significant increases in expenditures were: noncash pension expense - PFRS, \$93,878, salaries and wages, \$75,373 and depreciation expense, \$24,507.

USING THIS ANNUAL REPORT

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

Reporting on the District as a Whole

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

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

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

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Reporting on the District as a Whole (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019**

DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 2 Township of Jackson's Net Position is a useful indicator of the District's financial condition. At the end of 2019 the District's assets exceeded the liabilities by \$1.956 million. A significant portion of Fire District No. 2, Township of Jackson's Net Position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending.

Statement of Net Position:

FIRE DISTRICT NO. 2 TOWNSHIP OF JACKSON NET POSITION DECEMBER 31, 2019				
	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Total assets and deferred outflows of resources	\$ 6,597,951	\$ 5,882,265	\$ 715,686	12.17%
Total liabilities and deferred inflows of resources	(4,641,963)	(3,789,054)	852,909	22.51%
Net position	\$ 1,955,988	\$ 2,093,211	\$ (137,223)	-6.56%
Analysis of net position				
Net investment in capital assets	\$ 1,879,633	\$ 1,595,541	\$ 284,092	17.81%
Restricted for:				
Capital projects	658,249	926,749	(268,500)	-28.97%
Unrestricted	(581,894)	(429,079)	(152,815)	35.61%
Total net position	\$ 1,955,988	\$ 2,093,211	\$ (137,223)	-6.56%

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Governmental Activities

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

	<u>2019</u>	<u>2018</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Expenses				
Administrative expenses	\$ 309,528	\$ 264,374	\$ 45,154	17.08%
Cost of operations and maintenance	1,776,757	1,607,730	169,027	10.51%
Operating appropriations offset with revenues	112,824	94,691	18,133	19.15%
Interest expense	8,745	13,785	(5,040)	-36.56%
Length of Service Award Program Contribution	26,130	22,321	3,809	17.06%
State of New Jersey special funding situation - OPEB	17,198	46,337	(29,139)	-62.88%
Total program expenses	<u>2,251,182</u>	<u>2,049,238</u>	<u>201,944</u>	9.85%
General revenues				
Property taxes levied for:				
General purposes	1,703,829	1,692,054	11,775	0.70%
Capital projects	107,500		107,500	100.00%
Debt service	137,021	137,021	-	0.00%
Total property taxes levied	<u>1,948,350</u>	<u>1,829,075</u>	<u>119,275</u>	6.52%
Charges for services	112,824	128,628	(15,804)	-12.29%
State of New Jersey special funding situation - OPEB	17,198	46,337	(29,139)	-62.88%
Other revenue	35,587	33,542	2,045	6.10%
Total general revenues	<u>2,113,959</u>	<u>2,037,582</u>	<u>76,377</u>	3.75%
Increase in net position	(137,223)	(11,656)	(125,567)	1077.27%
Net position, January 1	<u>2,093,211</u>	<u>2,104,867</u>	<u>(11,656)</u>	-0.55%
Net position, December 31	<u>\$ 1,955,988</u>	<u>\$ 2,093,211</u>	<u>\$ (137,223)</u>	-6.56%

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

Government Fund

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

As of December 31, 2019, the combined balance of the governmental cash and cash equivalents of Fire District No. 2, Township of Jackson was approximately \$2.476 million. This balance is approximately \$163,000 less than last year's combined governmental funds balance.

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS (Continued)

The combined fund balance of the governmental funds of Fire District No. 2, Township of Jackson was a surplus of approximately \$2.714 million. Amounts of approximately \$658,000 is restricted for capital projects, \$494,000 is restricted for investment in length of service award program, \$27,000 is assigned other, \$278,000 is assigned - designated for subsequent year's expenditures and \$1,257,000 is unassigned.

The general fund is the main operating fund of Fire District No. 2, Township of Jackson. At the end of 2019, the total fund balance of the general fund was approximately \$2.056 million.

During 2019, the general fund balance surplus of Fire District No. 2 Township of Jackson increased by approximately \$134,000. The primary reason for this increase is primarily due to the excess of revenues over expenditures.

At the end of 2019, the District has a capital projects fund balance of approximately \$658,000. This was a decrease of approximately \$269,000 from the previous year.

General Fund Budgetary Highlights

The original budget projected a deficit of \$400,000. The District had a deficit of approximately \$222,000 in 2019.

Administrative expenses were approximately \$1,400 less than projected in 2019. Operating expenses were approximately \$4,000 less than projected in 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019, Fire District No. 2 Township of Jackson had invested in capital assets for government activities of approximately \$1,940,000 (net of accumulated depreciation). Capital assets consist of land, buildings and leasehold improvements, fire apparatus, vehicles and fire equipment. Additions for 2019 were radio equipment, \$350,557, four (4) tough tablets, \$27,741 and paving, \$26,000.

CAPITAL ASSETS DECEMBER 31, 2019			
	2019	2018	\$ Increase (Decrease)
Capital assets			
Land	\$ 165,000	\$ 165,000	\$ -
Buildings and leasehold improvements	2,253,308	2,227,308	26,000
Apparatus	3,770,908	3,770,908	-
Equipment	997,250	618,952	378,298
Total capital assets	7,186,466	6,782,168	404,298
Accumulated depreciation	(5,246,534)	(4,998,052)	248,482
Total capital assets, net	\$ 1,939,932	\$ 1,784,116	\$ 155,816

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2019, Fire District No. 2 Township of Jackson was able to fund its appropriations through the fire tax levy and other revenues. The 2019 budget projected a deficit of \$400,000 but it finished the year with a deficit of \$221,850.

Fire District No. 2, Township of Jackson adopted the 2020 budget on January 9, 2020. The 2020 budget reflects a 3.0% increase in the tax levy compared to 2019. The proposed budget reflects an increase in the tax rate for 2019 of \$.001. The proposed tax rate per \$100 of assessed value will be \$.098.

REQUESTS FOR INFORMATION

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

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

FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	2019
ASSETS	
Cash and cash equivalents	\$ 3,018,000
Accounts receivable	55,588
Prepaid expenses	49,010
Capital assets, net	1,939,932
Contribution receivable - length of service award program	27,847
Cash and investments - length of service award program	466,567
Total assets	5,556,944
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - PERS	209,424
Deferred outflows - PFRS	831,583
Total deferred outflows of resources	1,041,007
Total assets and deferred outflows of resources	6,597,951
LIABILITIES	
Current liabilities	
Capital lease obligation payable	131,234
Due to fire companies	15,963
Accounts payable and accrued expenses	344,645
Total current liabilities	491,842
Noncurrent liabilities	
Capital lease obligation payable	471,055
Net pension liability - PERS	450,747
Net pension liability - PFRS	1,591,348
Net assets available for program benefits - length of service award program	494,414
Total noncurrent liabilities	3,007,564
Total liabilities	3,499,406
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - PERS	188,677
Deferred inflows - PFRS	842,730
Deferred inflows - other	111,150
Total deferred inflows of resources	1,142,557
Total liabilities and deferred inflows of resources	4,641,963
NET POSITION	
Net investment in capital assets	1,879,633
Restricted for capital projects	658,249
Unrestricted	(581,894)
Total net position	\$ 1,955,988

The accompanying notes are an integral part of these financial statements

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

**STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	2019
Expenses:	
Operating appropriations:	
Administration	\$ 309,528
Cost of operations and maintenance	1,776,757
Operating appropriations offset with revenues	112,824
Interest expense	8,745
Length of service award program (LOSAP) - Contribution P.L. 1997, c.388)	26,130
State of New Jersey special funding situation - OPEB	17,198
Total program expenses	2,251,182
 General revenues:	
Amount raised by taxation	1,948,350
Charges for services	112,824
Interest on investments and deposits	7,139
Operating grant revenues	4,342
Miscellaneous revenue	24,106
State of New Jersey special funding situation - OPEB	17,198
Total general revenues	2,113,959
 Change in net position	 (137,223)
 Net position - beginning of year	 2,093,211
Net position - end of year	\$ 1,955,988

The accompanying notes are an integral part of these financial statements

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019**

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1,817,761	\$ 658,249	\$	\$ 2,476,010
Accounts receivable	55,588			55,588
Prepaid expenses	49,010			49,010
Contribution receivable - length of service award program	27,847			27,847
Cash and investments - length of service award program	466,567			466,567
Total assets	<u>2,416,773</u>	<u>658,249</u>	<u>-</u>	<u>3,075,022</u>
LIABILITIES				
Accounts payable and accrued expenses	344,645			344,645
Due to fire companies	15,963			15,963
Total liabilities	<u>360,608</u>	<u>-</u>	<u>-</u>	<u>360,608</u>
FUND BALANCES				
Restricted for Capital Projects		328,656		328,656
Investment in length of service award program	494,414			494,414
Assigned - other	26,567			26,567
Assigned - Designated for subsequent year's expenditures	278,000	329,593		607,593
Unassigned	1,257,184			1,257,184
Total fund balances	<u>2,056,165</u>	<u>658,249</u>	<u>-</u>	<u>2,714,414</u>
Total liabilities and fund balances	<u>\$ 2,416,773</u>	<u>\$ 658,249</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,186,466 and the accumulated depreciation is \$5,246,534.	1,939,932
Cash escrow account - funding of capital lease	541,990
Deferred outflows and inflows related to pensions and other	(101,550)
Long-term liabilities, including net pension liability, capital lease obligation payable, length of service awards program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(3,138,798)</u>
	<u>\$ 1,955,988</u>

The accompanying notes are an integral part of these financial statements

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues:				
Amount raised by taxation	\$ 1,703,829	\$ 107,500	\$ 137,021	\$ 1,948,350
Charges for services	112,824			112,824
Interest on investments and deposits	7,139			7,139
Investment income - length of service award program	61,770			61,770
Operating grant revenues	4,342			4,342
Miscellaneous revenue	18,406			18,406
Total revenues	<u>1,908,310</u>	<u>107,500</u>	<u>137,021</u>	<u>2,152,831</u>
Expenditures:				
Administration	290,351			290,351
Cost of operations and maintenance	1,370,585			1,370,585
Operating appropriations offset with revenues	112,824			112,824
Capital Expenditures		376,000		376,000
Debt service principal payments			128,276	128,276
Interest payments on debt			8,745	8,745
Participant distributions, forfeitures and charges length of service award program	1,025			1,025
Total expenditures	<u>1,774,785</u>	<u>376,000</u>	<u>137,021</u>	<u>2,287,806</u>
Excess of revenues over expenditures	133,525	(268,500)	-	(134,975)
Fund balance, January 1	1,922,640	926,749	-	2,849,389
Fund balance, December 31	<u>\$ 2,056,165</u>	<u>\$ 658,249</u>	<u>\$ -</u>	<u>\$ 2,714,414</u>

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

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Total net changes in fund balance - governmental funds (B - 2)	\$	(134,975)
Amounts reported for governmental activities in the statement of activities (A - 2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense		
Capital outlays	404,298	
Depreciation expense	<u>(248,482)</u>	155,816
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension expense - PERS	(19,177)	
Pension expense - PFRS	(185,988)	
Deferred inflows - other	<u>5,700</u>	(199,465)
Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of activities, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Investment income LOSAP is not a revenue in the government-wide financial statements as it is payable to the volunteers in accordance with the plan benefits		
District contribution to length of service award program	(26,130)	
Length of service award investment income	(61,770)	
Participant withdrawals	<u>1,025</u>	(86,875)
Principal payments on capital leases		<u>128,276</u>
Changes in net position of governmental activities (A - 2)	\$	<u><u>(137,223)</u></u>

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

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

GENERAL INFORMATION

A. Description of Reporting Entity

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

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

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

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

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

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2019;

Officials	Term Expires March
Vincent Rubio	2021
John Ryan	2021
Robert Redington	2020
Kieran Flemming	2020
John Alchevsky	2022

C. Accounting Records

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

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. The Fire District's operations consist of governmental activities, which normally are supported by property taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function of segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The Fire District reports the following major governmental funds:

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

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control

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

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Continued)

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

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

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

Encumbrances

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

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year end. The encumbrances at December 31, 2019 totaled \$26,567 for the general fund and \$0 for the capital projects fund.

Cash, Cash Equivalents and Investments

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

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued)

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

Inventories

Inventories recorded on the government-wide financial statements are recorded as expenses when consumed rather than when purchased. The Fire District did not have any significant inventory for the year ended December 31, 2019.

Prepaid Expenses

Prepaid expenses recorded on the government-side financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2019.

Capital Assets

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

The Fire District's capitalization threshold is \$5,000. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between the summation of assets and the summation of liabilities. Net position is classified into the following three components:

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

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

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

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

Fund Balance

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

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

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

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

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

Accounting Estimates

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

Subsequent Events

The District has evaluated subsequent events through October 8, 2020, the date the financial statements were available to be issued.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA.

PROPERTY TAX LEVIES:

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

<u>Calendar Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
12/31/2019	\$ 2,026,388,802	\$ 1,948,350	0.097
12/31/2018	\$ 2,010,131,077	\$ 1,829,075	0.092
12/31/2017	\$ 2,010,499,181	\$ 1,644,914	0.082
12/31/2016	\$ 2,025,913,689	\$ 1,479,875	0.073

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.

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

CAPITAL ASSETS

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

	2019	Estimated Useful Life (Years)
Assets		
Land	165,000	--
Buildings and leasehold improvements	2,253,308	20 - 30
Apparatus	3,770,908	10
Equipment	997,250	5
	7,186,466	
Less: accumulated depreciation	(5,246,534)	
	\$ 1,939,932	

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2019
Accounts payable	\$ 44,554
Accrued LOSAP	31,230
Accrued professional fees	17,640
Accrued vacation	87,257
Accrued pension	163,964
	\$ 344,645

COMMITMENTS

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

The District has entered into a Fire Protection Service Agreement with Whitesville Volunteer Fire Company #1. The Agreement has a one year duration commencing January 1, 2019 and terminating December 31, 2019. The agreement was renewed and extended for one year January 1, 2020 and terminating December 31, 2020. Consideration for the agreement is \$10,000 per annum.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

CAPITAL LEASE OBLIGATIONS PAYABLE

Voters approved the purchase of a fire truck for an amount not exceeding \$900,000 at a special fire district election held on September 29, 2018. 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 12, 2019 the Board entered into a lease/purchase agreement with U.S. Bancorp Government leasing and Finance, Inc. To purchase a 75' Aerial Ladder Truck. The terms of the lease require the principal repayment of \$541,990 to be paid in seven annual installments beginning June 12, 2020 at 2.906%.

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

<u>Balance 12/31/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2019</u>	<u>Due Within One Year</u>
\$ 188,575	\$ 541,990	\$ (128,276)	\$ 602,289	\$ 131,234

The following is a schedule of future lease payments under the lease together with the present value of the lease payments as of December 31, 2019:

<u>Due Date</u>	<u>Rosenbauer Fire Truck</u>	<u>75' Aerial Ladder Truck</u>	<u>Total</u>
2020	\$ 63,772	\$ 86,684	\$ 150,456
2021		86,684	86,684
2022		86,684	86,684
2023		86,684	86,684
2024		86,684	86,684
2025		86,684	86,684
2026		86,684	86,684
Total lease payments	63,772	606,788	670,560
Less: amount representing interest	(3,473)	(64,798)	(68,271)
Present value of lease payments	\$ 60,299	\$ 541,990	\$ 602,289

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN

Public Employees' Retirement System (PERS)

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4, with 25 or more years of service credit before age 62, and tier 5 with 30 years or more 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 schedule of employer allocations and the schedule 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 accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal an accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2019, the District's contractually required contribution to PERS was \$24,333.

Components of Net Pension Liability - As of December 31, 2019, the District reported a liability of \$450,747 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on the ratio of the District's contribution to the total contributions to PERS during the measurement period July 1, 2018 through June 30, 2019. The District's proportion measured as of June 30, 2019 was .002502%. This was a decrease from its proportion measured as of June 30, 2018 of .000001%.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

Balances as of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Actuarial valuation date (including rollforward)	June 30, 2019	June 30, 2018
Deferred outflows of resources	\$ 209,424	\$ 311,680
Deferred inflows of resources	\$ 188,677	\$ 229,710
Net pension liability	\$ 450,747	\$ 492,793
District's portion of the plan's total net pension liability	0.002502%	0.002503%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2019 the District recognized pension expense of \$43,508. As of December 31, 2019, 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	\$ 45,009	\$ 156,453
Difference between expected and actual experience	8,090	1,991
Net difference between projected and actual earnings on pension plan investments		7,115
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>156,325</u>	<u>23,118</u>
Total	<u>\$ 209,424</u>	<u>\$ 188,677</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 December 31:</u>	<u>PERS</u>
2020	\$ 2,401
2021	7,789
2022	6,956
2023	3,266
2024	<u>335</u>
Total	<u>\$ 20,747</u>

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience		
Year of pension plan deferral:		
2015	5.72	
2016	5.57	
2017	5.48	
2018		5.63
2019	5.21	
Changes of assumptions		
Year of pension plan deferral:		
2014	6.44	
2015	5.72	
2016	5.57	
2017		5.48
2018		5.63
2019		5.21
Difference between projected and actual investment earning on pension plan investments:		
Year of pension plan deferral:		
2015		5.00
2016		5.00
2017		5.00
2018		5.00
2019		5.00
Changes in proportion:		
Year of pension plan deferral:		
2014	6.44	6.44
2015	5.72	5.72
2016	5.57	5.57
2017	5.48	5.48
2018	5.63	5.63
2019	5.21	5.21

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

Actuarial Assumptions - The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Measurement date	June 30, 2019
Actuarial valuation date	July 1, 2018
Inflation rate	
price	2.75%
wage	3.25%
Salary increases based on age:	
Through 2026	2.00 - 6.00% based on years of service
Thereafter	3.00 - 7.00% based on years of service
Investment rate of return	7.00%

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

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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, 2019 calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28%) or 1-percentage -point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
District's proportionate share of the net pension liability	\$ 569,367	\$ 450,747	\$ 350,793

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 <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

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

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
3	Members who were eligible to enroll on or after June 28, 2011.

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

PENSION PLAN - (Continued)

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

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

Allocation Methodology - GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PFRS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the contributions of an individual employer to the total contributions of PFRS during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deduction, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedule of pension amounts by employer and nonemployer. The allocation percentages for each group as of June 30, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2019.

Contributions - The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For fiscal year 2019, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2019, the Districts contractually required contribution to PFRS was \$131,350.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

Special Funding Situation - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L.1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability 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, 2019, the District reported a liability of \$1,591,348 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The District's proportion measured as of December 31, 2019, was .013004%, which was an increase of .003366% from its proportion measured as of December 31, 2018.

Balances as of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	June 30, 2019	June 30, 2018
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 831,583	\$ 610,854
Deferred Inflows of Resources	\$ 842,730	\$ 723,134
Net Pension Liability	\$ 1,591,348	\$ 1,304,227
District's portion of the Plan's total net pension liability	0.013004%	0.009638%

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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, 2019, the District recognized pension expense of \$317,338. At December 31, 2019, 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	\$ 54,528	\$ 514,309
Difference between expected and actual experience	13,433	10,075
Net difference between projected and actual earnings on pension plan investments		21,562
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>763,622</u>	<u>296,784</u>
	<u>\$ 831,583</u>	<u>\$ 842,730</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>
2020	\$	(1,946)
2021		(4,084)
2022		(2,892)
2023		(1,426)
2024		<u>(799)</u>
Total	\$	<u>(11,147)</u>

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
2015		5.53
2016		5.58
2017	5.59	
2018	5.73	
2019		5.92
Changes of assumptions		
Year of pension plan deferral:		
2014	6.17	
2015	5.53	
2016	5.58	
2017		5.59
2018		5.73
2019		5.92
Difference between projected and actual investment earning on pension plan investments:		
Year of pension plan deferral:		
2015		5.00
2016		5.00
2017		5.00
2018		5.00
2019		5.00
Changes in proportion:		
Year of pension plan deferral:		
2014	6.17	6.17
2015	5.53	5.53
2016	5.58	5.58
2017	5.59	5.59
2018	5.73	5.73
2019	5.92	5.92

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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 \$251,277 as of December 31, 2019. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2018, to the measurement date of June 30, 2019. The State's proportion of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2019 was .013004%, which was an increase of .003366% from its proportion measured as of June 30, 2018, which is the same proportion as the District's.

District's Proportionate Share of the Net Pension Liability	\$ 1,591,348
State's Proportionate Share of the Net Pension Liability Associated With the District	<u>251,277</u>
Total Net Pension Liability	<u>\$ 1,842,625</u>

For the year ended December 31, 2019, the state's proportionate share of PFRS expense associated with the District was \$29,196.

Actuarial Assumptions - The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The actuarial valuations used the following actuarial assumptions:

Measurement date	June 30, 2019
Actuarial valuation date	July 1, 2018
Inflation rate	
price	2.75%
wage	3.25%
Salary increases:	
Through all future years	3.25% - 15.25% based on years of service
Investment rate of return	7.00%

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

PENSION PLAN - (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability as of June 30, 2019 calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	<u>1% Decrease</u> <u>(5.85%)</u>	<u>Current Discount</u> <u>Rate (6.85%)</u>	<u>1% Increase</u> <u>(7.85%)</u>
District's proportionate share of the net pension liability	\$ 2,150,920	\$ 1,591,348	\$ 1,128,220

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

OPEB PLAN

State Health Benefit Local Government Retired Employees Plan

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

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

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

OPEB Plan - (Continued)

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

Allocation Methodology - GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2019 were \$5,637,151,775 and \$8,182,092,807, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Special Funding Situation - Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

OPEB Plan - (Continued)

Special Funding Situation

Under the special funding situation the District has included \$17,198 as an expense and corresponding revenue for the State of New Jersey employer OPEB expense and related revenue allocated to Jackson Township Fire District No. 2. The State of New Jersey proportionate share of the net OPEB liability attributable to Jackson Township Fire District No. 2 is \$1,297,439 as of June 30, 2019. The District has 7 (seven) members included in the plan and District No. 2's proportionate share of the net OPEB liability is .023480%. For this purpose, the proportionate share was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

LENGTH OF SERVICE AWARDS PROGRAM

LENGTH OF SERVICE AWARD PROGRAM

VALIC - Fire District No. 1

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

Lincoln Financial Group - Fire District No. 2

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

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

Contributions

If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Fire District after notice to the participants and public publication elected to automatically make the maximum annual contribution permitted by the Division of Local Government Services and budgets accordingly.

The Fire District elected to contribute \$1,742 for the year ended December 31, 2019 per eligible volunteer, into the Plan. Participants direct the investment of the contributions into various investment options offered by the Plan.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Participant Accounts

Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. For the year ended December 31, 2019, the Fire District elected to pay substantially all of the Plan's administrative costs. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. In accordance with the amendments to Section 457 of the Internal Revenue Code, and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

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

Vesting

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

Payment of Benefits

Upon separation from service or disability as defined under the program, vested participants may select various options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

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

Forfeited Accounts

During the year ended December 31, 2019 forfeitures and charges were \$1,025.

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

LENGTH OF SERVICE AWARD PROGRAM - INVESTMENTS

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

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

	<u>2019</u>
Pooled Separate Accounts	\$ <u>466,567</u>

TAX STATUS - LENGTH OF SERVICE AWARD PROGRAM

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

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

RISK AND UNCERTAINTIES - LENGTH OF SERVICE AWARD PROGRAM

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

FAIR VALUE MEASUREMENTS

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

- Level 1 Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

- Level 2 Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

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

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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, 2019.

Assets at Fair Value as of December 31, 2019

VALIC

Pooled Separate Accounts:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Aggressive Growth Lifestyle	\$ 9,080	\$	\$	9,080
Dividend Value	3,729			3,729
Fixed Account Plus	10,481			10,481
Government Securities Fund	314			314
Health Sciences Fund	4,078			4,078
International Equities Index Fund	4,717			4,717
Int'l Opportunities	1,113			1,113
Intl Socially Responsible Fund	5,223			5,223
Large Capital Growth	2,608			2,608
Mid Cap Index Fund	17,558			17,558
Science & Technology Fund	4,302			4,302
Short Term Fixed Account	98,744			98,744
Small Cap Index Fund	8,259			8,259
Stock Index Fund	10,246			10,246
T Rowe Price Retirement 2060 Adv	1,836			1,836
Total Pooled Separate Accounts	\$ <u>182,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>182,288</u>
Total Assets at Fair Value	\$ <u>182,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>182,288</u>

Assets at Fair Value as of December 31, 2019

Lincoln Financial Group

Pooled Separate Accounts:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
American Funds Global Growth	\$ 4,766	\$	\$	4,766
American Funds Growth	3,946			3,946
American Funds Growth-Income	6,456			6,456
Blackrock Global Allocation	388			388
Delaware VIP High Yield	333			333
Delaware VIP Reit	3,736			3,736
Delaware VIP Small Cap Value	2,698			2,698
Delaware VIP Smid Cap Core Series	2,235			2,235
Fidelity VIP Contrafund	3,440			3,440
Fixed Account	83,605			83,605
LVIP Blended Lrg Cap Growth Mngd Voltlty	418			418
LVIP Delaware Bond	574			574
LVIP Delaware Special Opportunities	3,232			3,232
LVIP Dimensional US Core Equity 1	2,203			2,203
LVIP Mondrian International Value	2,707			2,707
LVIP SSGA Bond Index	612			612
LVIP SSGA S&P 500 Index	157,706			157,706
LVIP SSGA Small-Cap Index	1,217			1,217
MFS Utilities	4,007			4,007
Total Pooled Separate Accounts	\$ <u>284,279</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>284,279</u>
Total Assets at Fair Value	\$ <u>284,279</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>284,279</u>

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Modified</u>		
Revenues				
Miscellaneous anticipated revenues:				
Interest investments and deposits	\$ 6,800	\$ 6,800	\$ 7,139	\$ 339
Miscellaneous revenue	13,165	13,165	18,406	5,241
Total miscellaneous anticipated revenues	<u>19,965</u>	<u>19,965</u>	<u>25,545</u>	<u>5,580</u>
Operating grant revenues:				
Supplemental fire service grant			4,342	4,342
Total operating grant revenues	<u>-</u>	<u>-</u>	<u>4,342</u>	<u>4,342</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues				
Annual registration fee	88,900	88,900	110,824	21,924
Penalties and fines	6,700	6,700	2,000	(4,700)
Other revenues				-
Total uniform fire safety act revenues	<u>95,600</u>	<u>95,600</u>	<u>112,824</u>	<u>17,224</u>
Amount to be raised by taxation to support the district budget	1,948,350	1,948,350	1,948,350	-
Total anticipated revenues	<u>2,063,915</u>	<u>2,063,915</u>	<u>2,091,061</u>	<u>27,146</u>
Non-budgetary revenues:				
Miscellaneous				
Total revenues	<u>2,063,915</u>	<u>2,063,915</u>	<u>2,091,061</u>	<u>27,146</u>
Expenditures				
Operating appropriations:				
Administration:				
Salaries and wages(excluding commissioners)	180,833	140,933	140,924	9
Commissioners	8,750	8,750	8,750	-
Fringe benefits	97,133	72,633	72,544	89
Elections	1,500	2,200	2,138	62
Office expense	7,100	7,100	5,907	1,193
Professional services	50,000	60,100	60,088	12
Total administration	<u>345,316</u>	<u>291,716</u>	<u>290,351</u>	<u>1,365</u>
Cost of operations and maintenance:				
Salaries and wages	519,994	540,794	540,744	50
Fringe benefits	245,994	262,894	262,889	5
Advertising	3,000	3,000	2,327	673
Insurance	165,000	180,100	180,054	46
Maintenance and repairs - buildings	40,000	34,200	34,146	54
Maintenance and repairs - equipment	34,500	10,100	10,097	3
Maintenance and repairs - apparatus	100,000	122,300	122,282	18
Hydrant rental	39,340	39,340	39,177	163
Supplies expense	13,750	14,650	14,578	72
Training and education	10,000	10,000	8,760	1,240
Uniforms and personal equipment	20,000	8,800	8,755	45
Utilities	43,000	43,400	43,354	46
Fire suppression contracts	40,500	40,500	40,000	500
Payroll services fees	5,500	5,500	5,425	75
Physicals	14,000	8,900	7,859	1,041
Fuel	26,400	30,700	30,654	46
New equipment	17,500	19,500	19,484	16
Total cost of operations and maintenance	<u>1,338,478</u>	<u>1,374,678</u>	<u>1,370,585</u>	<u>4,093</u>

(Continued)

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Modified</u>		
Expenditures (Continued)				
Operating appropriations offset with revenues:				
Salaries and wages	38,000	61,600	61,522	78
Fringe benefits	2,200	12,800	12,742	58
Operating expenses	<u>55,400</u>	<u>38,600</u>	<u>38,560</u>	<u>40</u>
Total operating appropriations offset with revenues	<u>95,600</u>	<u>113,000</u>	<u>112,824</u>	<u>176</u>
Capital appropriations:				
Capital appropriations	<u>507,500</u>	<u>507,500</u>	<u>376,000</u>	<u>131,500</u>
Length of service award program (LOSAP)	<u>40,000</u>	<u>40,000</u>	<u>26,130</u>	<u>13,870</u>
Debt service for capital appropriations:				
Principal payment on debt service	128,276	128,276	128,276	-
Interest payment on debt service	<u>8,745</u>	<u>8,745</u>	<u>8,745</u>	<u>-</u>
Total debt service for capital appropriations	<u>137,021</u>	<u>137,021</u>	<u>137,021</u>	<u>-</u>
Total expenditures	<u>2,463,915</u>	<u>2,463,915</u>	<u>2,312,911</u>	<u>151,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(400,000)</u>	<u>(400,000)</u>	<u>(221,850)</u>	<u>178,150</u>
Fund balance, January 1			<u>2,441,850</u>	
Fund balance, December 31			<u>\$ 2,220,000</u>	
RECAPITULATION OF FUND BALANCE				
Restricted fund balance				
Capital projects			\$ 328,656	
Assigned fund balance				
Designated for subsequent year's expenditures			607,593	
Other purposes			26,567	
Unassigned fund balance			<u>1,257,184</u>	
Total budgetary basis			2,220,000	
Reconciliation to governmental fund statements::				
Length of service award program investment balance not recognized on the budgetary basis			<u>494,414</u>	
Total fund balance per governmental funds			<u>\$ 2,714,414</u>	

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
RECONCILIATION OF BUDGET TO STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

Sources/Inflows of Resources:

Actual amount (budgetary basis) total revenues from budgetary comparison schedule (C - 1)	\$ 2,091,061
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income	<u>61,770</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds (B - 2)	\$ <u><u>2,152,831</u></u>

Use/Outflows of Resources:

Actual amount (budgetary basis) total expenditures from budgetary comparison schedule (C - 1)	2,312,911
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	(26,130)
Participant distributions and forfeitures	<u>1,025</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds (B - 2)	\$ <u><u>2,287,806</u></u>

**FIRE DISTRICT NO. 2
TOWNSHIP OF JACKSON
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	Measurement Date Ended June 30,						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.0025%	0.00250%	0.00254%	0.00101%	0.00092%	0.00090%	0.00227%
District's Proportionate Share of the Net Pension Liability	\$ 450,747	\$ 492,793	\$ 590,583	\$ 299,477	\$ 205,803	\$ 167,858	\$ 433,563
District's Covered-Employee Payroll	\$ 179,100	\$ 176,764	\$ 139,307	\$ 66,400	\$ 63,240	\$ 62,000	\$ 132,872
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	251.67%	278.79%	423.94%	451.02%	325.43%	270.74%	326.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

For the year ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Contractually Required Contribution	\$ 24,333	\$ 24,895	\$ 23,503	\$ 8,983	\$ 7,882	\$ 7,391	\$ 17,093
District's Contribution in Relation to the Contractually Required Contribution	<u>24,333</u>	<u>24,895</u>	<u>23,503</u>	<u>8,983</u>	<u>7,882</u>	<u>7,391</u>	<u>17,093</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 145,716	\$ 177,768	\$ 175,760	\$ 139,307	\$ 66,400	\$ 63,240	\$ 62,000
District's Contributions as a Percentage of it's Covered-Employee Payroll	16.70%	14.00%	13.37%	6.45%	11.87%	11.69%	27.57%

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

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

	Measurement Date Ended June 30,						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.01300%	0.00964%	0.01253%	0.00930%	0.00715%	0.00673%	0.00615%
District's Proportionate Share of the Net Pension Liability	\$ 1,591,348	\$ 1,304,227	\$ 1,934,620	\$ 1,777,272	\$ 1,191,149	\$ 846,898	\$ 817,714
District's Covered-Employee Payroll	\$ 465,964	\$ 372,243	\$ 375,698	\$ 298,100	\$ 249,569	\$ 212,648	\$ 179,104
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	341.52%	350.37%	514.94%	596.20%	477.28%	398.26%	456.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.00%	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%

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

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

For the year ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Contractually Required Contribution	\$ 131,350	\$ 94,229	\$ 110,906	\$ 75,858	\$ 58,129	\$ 51,711	\$ 44,876
District's Contribution in Relation to the Contractually Required Contribution	<u>131,350</u>	<u>94,229</u>	<u>110,906</u>	<u>75,858</u>	<u>58,129</u>	<u>51,711</u>	<u>44,876</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 500,870	\$ 431,747	\$ 328,929	\$ 375,698	\$ 298,100	\$ 249,569	\$ 212,648
District's Contributions as a Percentage of it's Covered-Employee Payroll	26.22%	21.83%	33.72%	20.19%	11.87%	11.69%	21.10%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018, to 6.28% as of June 30, 2019.

Police and Firemen's Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

Length of Service Awards Program (LOSAP)

Changes in Benefit Terms

None.

Changes of Assumptions

None.

**BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NO. 2
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Schedule of Financial Statement Findings

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

None.

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

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

None.