



**WOODBRIAGE TOWNSHIP
FIRE DISTRICT #9
COUNTY OF MIDDLESEX, NEW JERSEY**

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**WOODBIDGE TOWNSHIP
FIRE DISTRICT #9
COUNTY OF MIDDLESEX, NEW JERSEY**

Financial Statements and Supplementary Information

December 31, 2018



Fire District No. 9 of the Township of Woodbridge

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-4
Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5-6
Management Discussion and Analysis	7-13
Statement of Net Position	14
Statement of Activities	15
Governmental Funds Balance Sheet	16
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance in the Governmental Funds to the Statement of Activities	19
Notes to Financial Statements	20-40
Required Supplementary Information:	
Budgetary Comparison Schedule	41-43
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS	44
Schedule of District Contributions – PERS	45
Other Supplementary Information:	
Summary Schedule of Project Expenditures – Capital Projects Fund	46
Balance Sheet – Component Unit	47
Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit	48
Budgetary Comparison Schedule – Component Unit	49
General Comments and Recommendations	50-51



Independent Auditors' Report

**Board of Fire Commissioners
Fire District No. 9 of the Township of Woodbridge**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Fire District No. 9 of the Township of Woodbridge, County of Middlesex, State of New Jersey, ("the District") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Summary of Opinions

Opinion Unit

Governmental Activities – Qualified
Discretely Presented Component Unit – Unmodified
General Fund – Unmodified
Capital Projects Fund – Unmodified

Basis for Qualified Opinion – Governmental Activities

The District did not recognize the OPEB liability pursuant to GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) in the financial statements or notes to financial statements. The amount that should have been reported could not reasonably be determined.

Additionally, the District could not provide the appropriate supporting documentation to support the compensated absences liability. The effect of these departures on the financial statements were not available upon issuance of this report.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “*Basis of Qualified Opinion - Governmental Activities*” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of December 31, 2018, and respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit and each major fund of the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* which represents a change in accounting principle. As discussed in Note 13, as of January 1, 2018 the District’s fiduciary net position and general fund were restated to reflect the impact of this change in accounting principle. Our opinion is not modified with respect to this matter.

Subsequent Event

As discussed in Note 12 to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019 (“COVID-19”). Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The balance sheet – component unit, statement of revenues, expenditures and changes in fund balance – component unit and the budgetary comparison schedule – component unit are the responsibility of management and were derived directly from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audited procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the balance sheet – component unit, statement of revenues, expenditures and changes in fund balance – component unit and the budgetary comparison schedule – component unit is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The summary schedule of project expenditures – capital projects fund has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020, on our consideration of the District'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

Board of Commissioners
Fire District No. 9 of the Township of Woodbridge
Page 4

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

August 28, 2020
Cranford, New Jersey



**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditors' Report

**Board of Commissioners
Fire District No. 9 of the Township of Woodbridge**

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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, discretely presented component unit, and each major fund of the Fire District No. 9 of the Township of Woodbridge (the "District"), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 28, 2020. Our report includes an unmodified opinion on the discretely presented component unit and each major fund and a qualified opinion on governmental activities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying general comments and recommendations as items 2018-001, 2018-002 and 2018-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, described as finding number 2018-001, 2018-002, 2018-003, 2018-004 and 2018-005.

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 Local Finance Board and by the 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.

PKF O'Connor Davies, LLP

August 28, 2020
Cranford, New Jersey

FIRE DISTRICT NO. 9 OF THE TOWNSHIP OF WOODBRIDGE
ISELIN, NEW JERSEY

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2018

This section of the district's annual financial report presents a discussion and analysis of the district's financial performance during the fiscal year ending December 31, 2018. It should be read in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments issued June 1999 and amended by GASB Statement No. 37. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Since this is the fifth year of implementing the revised reporting model, comparative information from the previous year is available and is being reported as part of the MD&A.

FINANCIAL HIGHLIGHTS

The key financial highlights for the CY2018 fiscal year include the following, which excludes component unit activity:

Governmental funds reported a total fund balance of \$3,514,825, which is a 38% increase from last year's total governmental fund balance. The increase in total governmental fund balance was due primarily to a positive variance for expenditures and the implementation of GASB Statement No. 73 (see Note 14 to the financial statements). The general or operating fund balance was reported at \$2,778,880 of which \$500,000 was appropriated towards the 2019 budget. The unassigned general fund balance is reported at \$1,607,067. Total spending for all governmental funds was \$1,682,891. Total revenues were \$2,141,920, resulting in an excess of revenues over expenditures of \$459,029 for the year.

In total, government-wide net position increased by \$241,033, which represents a 5.25% increase over calendar year. This increase was due primarily to the decrease in capital outlays in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationship in which the district acts solely as a trustee or agent for the benefits of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of the Fire District Annual Financial Report

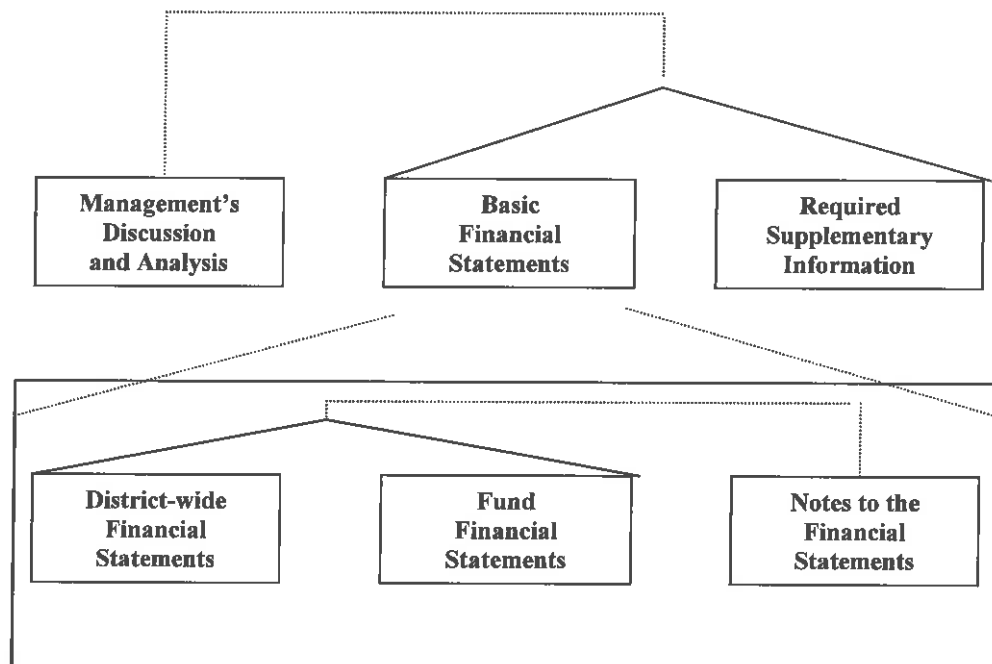


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and the contents of each of the statements.

Figure A-2

	District-Wide Statements	Governmental Funds	Fiduciary Funds
	Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance
Required financial Statements	<ul style="list-style-type: none"> •Statement of net position •Statement of activities 	<ul style="list-style-type: none"> •Balance Sheet •Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> •Statement of fiduciary net position •Statement of changes in fiduciary net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's net assets and how they have changed. Net position - the difference between the district's assets and liabilities - is one way to measure the district's financial health or position.

- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider that the fire district's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the of the fires to assess the overall health of the district.

In the district-wide financial statements, the district's activities are divided into two categories:

- **Governmental activities:** Most of the district's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- **Business-type activities:** The district charges fees to help it cover the costs of certain services it provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debt) or to show that it is properly using certain revenues (such as federal grants).

The district has two kinds of funds:

- **Governmental funds:** Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary funds:** The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The Fire District's Governmental Activities net position was \$4,833,646 at December 31, 2018 representing an increase of \$241,033 (5.25%) compared to calendar year 2017. This amount includes an unrestricted net position of \$1,421,414. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the fire district's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Figure A-3) and change in net position (Figure A-4) of the fire district's governmental activities.

As reported in the Statement of Activities, the net cost of all our governmental activities this year was \$1,884,911. These costs were financed by \$2,039,295 in local property fire taxes and other miscellaneous revenues including interest, capital donations, and other miscellaneous revenues of \$38,538.

Financial Analysis of the District's Funds

As we noted earlier, the fire district uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the fire district is being accountable for the resources provided to it, and also, gives more insight into the fire district's overall financial health.

As the fire district completed this year, our governmental funds reported a combined fund balance of \$3,514,825, which represents an increase of \$966,704 from last year. The primary reasons for the increase are:

1. Decreased capital outlays in the current year of \$662,986.
2. Implementation of GASB Statement No. 73, which resulted in an increase of fund balance of \$465,648. See Note 14 of the financial statements.

General Fund Budgetary Highlights

Over the course of the year, the fire district revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Budget changes/transfers are approved by the fire district throughout the year. Although the district's projected budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year show a surplus.

Actual budgetary results reflect a favorable variance of \$1,132,338.

This is due primarily to the following factors:

1. Unexpended Budget Appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2018, the fire district had \$2,676,287 of net capital assets invested in a broad range of capital assets, buildings, building improvements, other improvements, vehicles and equipment. This amount represents a net decrease (including additions, retirements and depreciation) of \$216,936 or 7.50% from calendar year 2017.

We present more detailed information about our capital assets in the in the notes to the financial statements.

Long-Term Debt

The District has no bonds, notes or capital leases issued or authorized as at December 31, 2018.

Other long-term obligations include accrued vacation pay, sick leave, and length of service award program liability. We present more detailed information about our long-term liabilities in the in the notes to the financial statements.

FACTORS AFFECTING THE DISTRICT'S FUTURE

- The District is committed to sound financial planning, budgeting, and maintaining internal financial controls in order to meet the challenges of the future with respect to providing a consistent level of fire protection services to the community.

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the fire district's finances and to show the fire district's accountability for the money it received. If you have questions about this report or wish to request additional financial information, contact the Fire District Board of Commissioners or the Business Administrator, Woodbridge Township Fire District No. 9, 1222 Green Street, Iselin, New Jersey 08830.

**Fire District No. 9 of the Township of Woodbridge
Statement of Net Position
December 31, 2018**

	<u>Governmental Activities</u> <u>2018</u>	<u>Component Unit</u> <u>2018</u>
ASSETS		
Cash - unrestricted	\$ 3,093,617	\$ 224,794
Cash - restricted for length of service awards program	465,648	-
Accounts receivable	-	59,200
Capital assets - nondepreciable	650,000	-
Capital assets - depreciable, net	2,026,287	-
Total assets	6,235,552	283,994
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	147,695	-
Total assets and deferred outflows of resources	6,383,247	283,994
LIABILITIES		
Accounts payable and accrued expenses	94,892	7,000
Noncurrent portion of long-term obligations	1,219,160	-
Total liabilities	1,314,052	7,000
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	235,549	-
NET POSITION		
Net investment in capital assets	2,676,287	-
Restricted for:		
Capital projects	735,945	-
Unrestricted	1,421,414	276,994
Total net position	\$ 4,833,646	\$ 276,994

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

Fire District No. 9 of the Township of Woodbridge
Statement of Activities
For the year ended December 31, 2018

	<u>Governmental Activities</u>			<u>Component Unit</u>
	<u>Expenses</u>	<u>Operating Grants</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Government activities:				
Operation appropriations:				
Administration	\$ 749,126	\$ -	\$ -	\$ (749,126)
Costs of operations and maintenance	1,123,193	-	-	(1,123,193)
Operating appropriations offset with revenues	67,060	-	54,468	(12,592)
Total government activities	<u>\$ 1,939,379</u>	<u>\$ -</u>	<u>\$ 54,468</u>	<u>(1,884,911)</u>
Component unit	<u>\$ 27,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,517)</u>
General revenues:				
Amount raised by taxation			2,039,295	-
Joint purchasing agreement			-	52,000
Miscellaneous revenues			38,538	1,860
Total general revenues			<u>2,077,833</u>	<u>53,860</u>
Change in net position			192,922	26,343
Net position, beginning of year			4,592,613	250,651
Prior period adjustment (Note 14)			48,111	-
Net position, beginning of year, adjusted			<u>4,640,724</u>	<u>250,651</u>
Net position, end of year			<u>\$ 4,833,646</u>	<u>\$ 276,994</u>

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

**Fire District No. 9 of the Township of Woodbridge
Governmental Funds
Balance Sheet
December 31, 2018**

	General Fund	Capital Projects Fund	Total
ASSETS			
Current assets:			
Unrestricted cash	\$ 3,093,617	\$ -	\$ 3,093,617
Restricted cash - length of service awards program	465,648	-	465,648
Accounts receivable	-	-	-
Interfund receivable	-	735,945	735,945
Total assets	<u>\$ 3,559,265</u>	<u>\$ 735,945</u>	<u>\$ 4,295,210</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 44,440	\$ -	\$ 44,440
Interfund payable	735,945	-	735,945
Total liabilities	<u>780,385</u>	<u>-</u>	<u>780,385</u>
FUND BALANCES			
Restricted:			
Capital projects	-	285,945	285,945
Length of service award program	465,648	-	465,648
Uniform Fire Safety Act - dedicated penalties	8,389	-	8,389
Assigned:			
Designated for subsequent year's expenditures	500,000	450,000	950,000
Other purposes	197,776	-	197,776
Unassigned	1,607,067	-	1,607,067
Total fund balance	<u>2,778,880</u>	<u>735,945</u>	<u>3,514,825</u>
Total liabilities and fund balance	<u>\$ 3,559,265</u>	<u>\$ 735,945</u>	<u>\$ 4,295,210</u>
Total governmental fund balance			\$ 3,514,825
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,221,887 and accumulated depreciation is \$3,545,600. (See Note 3)			2,676,287
Deferred outflows/inflows in governmental activities are not financial resources and therefore are not reported in the funds			147,695
Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 4)			(1,219,160)
Deferred outflows/inflows in governmental activities are not financial resources and therefore are not reported in the funds			(235,549)
Accrued pension contributions are not paid with current economic resources and therefore are not reported in the funds			(50,452)
Net position of governmental activities			<u>\$ 4,833,646</u>

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

**Fire District No. 9 of the Township of Woodbridge
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2018**

	General Fund	Capital Projects Fund	Total
REVENUES			
Anticipated revenue:			
Amount raised by taxation	\$ 1,739,295	\$ 300,000	\$ 2,039,295
Miscellaneous revenues:			
Joint purchasing agreement			
Miscellaneous revenue not anticipated	4,769		4,769
Interest and dividends	43,388		43,388
Miscellaneous revenues offset with appropriations:			
Uniform fire safety act revenues:			
State registration fees	47,240	-	47,240
Permit fees	1,728	-	1,728
Penalties and fines	5,500	-	5,500
Total revenues	<u>1,841,920</u>	<u>300,000</u>	<u>2,141,920</u>
EXPENDITURES			
Administration:			
Salaries and wages	191,793		191,793
Fringe benefits	166,011	-	166,011
Other:			
Election	1,755	-	1,755
Insurance	50,346	-	50,346
Membership & dues	400	-	400
Office expenditures	6,147	-	6,147
Professional expenditures	241,494	-	241,494
Accounting and payroll services	7,208	-	7,208
Medical examinations	4,673	-	4,673
Workers compensation insurance	36,246	-	36,246
Total administration	<u>706,073</u>	<u>-</u>	<u>706,073</u>
Cost of operations and maintenance:			
Salaries and wages	94,921	-	94,921
Fringe benefits	22,096	-	22,096
Other:			
Advertising	713	-	713
Maintenance and repair (apparatus & facilities)	134,554	-	134,554
Materials & supplies	62,010	-	62,010
Training and education	21,331	-	21,331
Uniforms and equipment	36,425	-	36,425
Telephone & utilities & heat/diesel fuel	114,265	-	114,265
Fire hydrant expenditures	273,592	-	273,592
Joint purchase agreement	100,108	-	100,108
Landscaping and snow removal	7,580	-	7,580
Equipment - computer	15,497	-	15,497
Total cost of operations and maintenance	<u>883,092</u>	<u>-</u>	<u>883,092</u>

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

Fire District No. 9 of the Township of Woodbridge
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
For the year ended December 31, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Operating appropriations offset by revenue:			
Salaries and wages	45,240	-	45,240
Other:			
Materials and supplies	3,522	-	3,522
Equipment	2,002	-	2,002
Training	2,240	-	2,240
Fire prevention materials	14,056	-	14,056
Total operating appropriations offset by revenue	<u>67,060</u>	<u>-</u>	<u>67,060</u>
Length of service awards program participant withdrawals	<u>26,666</u>	<u>-</u>	<u>26,666</u>
Total expenditures	<u>1,682,891</u>	<u>-</u>	<u>1,682,891</u>
Excess of revenues over expenditures	<u>159,029</u>	<u>300,000</u>	<u>459,029</u>
Fund balance, beginning of year	2,112,176	435,945	2,548,121
Prior period adjustment (Note 14)	507,675	-	507,675
Fund balance, beginning of year, restated	<u>2,619,851</u>	<u>435,945</u>	<u>3,055,796</u>
Fund balance, end of year	<u>\$ 2,778,880</u>	<u>\$ 735,945</u>	<u>\$ 3,514,825</u>

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

**Fire District No. 9 of the Township of Woodbridge
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance in the
Governmental Funds to the Statement of Activities
For the year ended December 31, 2018**

Total net changes in fund balance - governmental funds		\$ 459,029
Amounts reported for governmental activities in the statement of activities are different due to:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation expense		(216,936)
In the statement of net position, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are reported in the amount of financial resources used (paid).		
		(5,621)
Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with plan benefits.		
District contribution to length of service award program	(32,643)	
Nonvested forfeitures	9,478	
Interest earnings on length of service award program assets	(9,619)	
Member withdrawals	26,666	
		(6,118)
Pension expenses reported in the statement of activities do no require the use of current financial resources and therefore are not reported as expenditures in the government funds.		
		(37,432)
Change in net position of governmental activities		\$ 192,922

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

FIRE DISTRICT NO. 9 OF THE TOWNSHIP OF WOODBRIDGE
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Fire District No. 9 of the Township of Woodbridge (the "District") have been prepared in conformity with generally accepted accounting principles (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 GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2000. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments. This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999.

The more significant of the District's accounting policies are described below.

A. Reporting Entity:

The District was organized under the laws of the State of New Jersey relating to Fire Districts and established pursuant to N.J.S.A. 40A: 14-70, et seq. The District receives funding from taxation, local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since fire commissioners are elected by the public and have decision-making capabilities within the District to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Board of Fire Commissioners is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February. In addition, there is a component unit, as defined in Governmental Accounting Standards Board Statement 14, 34 and 61, which are included in the District’s reporting entity.

The primary criterion for including activities within 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 District
- 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

Based on the aforementioned criteria, the District has a component unit, the Joint Board of Fire Commissioners of Woodbridge Township (the "Joint Board). As defined by GASB No. 14, 34 and 61, component units are legally separate entities that are included because of fiscal dependency with the District. The Joint Board of Fire Commissioners of Woodbridge Township’s annual budget is adopted as part of the District’s regulatory budget.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Reporting Entity (Cont'd):

The Joint Board of Fire Commissioners of Woodbridge Township as organized in accordance with N.J.S.A. 40A: 11-10 "Joint Agreements for Purchase of Work, Materials, Supplies: Authorization". This component unit is discretely presented in the financial statements. Separate financial statements for the Joint Board of Fire Commissioners of Woodbridge Township are not issued.

Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the 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 all financial resources to be used for the acquisition or construction of major capital facilities. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

C. Basis of Accounting and Measurement Focus:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and currently liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

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. Property tax revenues and revenues received from the state are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.

D. Budgets/Budgetary Control:

The District is required by state law to adopt an annual budget for the General Fund. 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 fiscal year end.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Reserve for Encumbrances:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds are reported as assigned fund balance at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The encumbered appropriation the District carries over into the next year. For budgetary purposes, 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.

F. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and 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. New Jersey statute 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey fire districts.

Additionally, the District utilizes a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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 Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks 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 full amount of their deposits to the Governmental Units.

G. Prepaid Expenses:

Prepaid expenses, if any, which benefit future periods, are recorded as an expenditure during the year of purchase. The District has recorded prepaid insurance expense which has been offset a reserve for prepaid items.

H. Short-Term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

I. Capital Assets:

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 individual cost or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for fire purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 40 years for buildings and building improvements, and 5 to 25 years for vehicles and equipment.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The District is reporting five item in this category; Pension related items including the Difference between expected and actual experiences, the Change in Pension Assumptions, the Change in Pension Proportion, the Difference in Pension Earnings and the amounts of pension payments made by the District subsequent to the pension measurement date.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The District is reporting two items in this category, the Change in Pension Assumptions and the Change in Pension Proportion.

Deferred outflows and inflows of resources have been reported on the government-wide Statement of Net Position for the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERS Pension Plan	<u>\$ 147,695</u>	<u>\$ 235,549</u>

K. Compensated Absences:

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K. Compensated Absences (Cont'd):

place. The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences."

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is reported.

L. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity:

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the District's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification includes amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

N. Net Position:

Net position represents the difference between the assets and liabilities in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balance of any long-term obligations used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

N. Net Position (Cont'd):

on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The balance is reported as unrestricted.

O. Restricted Assets:

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as capital reserve requirements and proceeds from the issuing of the bonds and leases related to the capital project.

P. Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Q. Fire District Taxes:

Upon the proper certification to the tax assessor of the municipality in which the fire district is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall pay over to the treasurer or custodian of funds of the fire district the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all 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.

R. Recent Accounting Standards:

GASB issued Statement No. 83 "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The provisions in Statement No.83 are effective for reporting periods beginning after June 15, 2019. The District has not yet completed the process of evaluating the impact of GASB 83 on its financial statements.

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions in Statement No 84 are effective for reporting periods beginning after December 15, 2019. The District has not yet completed the process of evaluating the impact of GASB 84 on its financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

R. Recent Accounting Standards (Cont'd.):

GASB issued Statement No. 85, "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits OPEB).

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB issued Statement No. 87, "Leases" in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In March 2018 the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements, which is effective for fiscal years beginning after June 15, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has not yet completed the process of evaluating the impact of GASB 88 on its financial statements.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations, which is effective for fiscal years beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District has not yet completed the process of evaluating the impact of GASB 91 on its financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

S. Pensions:

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

T. Subsequent Events Evaluation by Management:

Management has evaluated subsequent events for disclosure and /or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 28, 2020.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature within one year. Collateralization of fund investments is generally not required.

The District had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONT'D)

As of December 31, 2018, the book value of cash and cash equivalents and investments consisted of the following:

<u>Accounts</u>	<u>District Amount</u>	<u>Joint Board Amount</u>
Demand & Checking	\$2,144,962	\$224,794
State of New Jersey Cash Management Fund	1,414,303	-
Total	\$3,559,265	\$224,794

During the period ended December 31, 2018 the District held investments in the State of New Jersey Cash Management Fund. Under criteria established in Governmental Accounting Standards Board Statement No. 9, the year-end balances in State of New Jersey Cash Management Fund are considered to be cash equivalents under GAAP.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2018, for amounts on deposit, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the District’s book value of \$3,559,265 and \$3,598,806 bank balance was considered exposed to custodial risk. As of December 31, 2018, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Joint Board of Fire Commissioners book value of \$224,794 and \$226,659 bank balance was considered exposed to custodial risk. Also, as previously indicated and discussed below, the District invests funds with the New Jersey Cash Management Fund.

<u>Depository Account Balance</u>	<u>District Amount</u>	<u>Joint Board Amount</u>
Insured – FDIC	\$ 500,000	\$226,659
Insured – NJGUDPA (N.J.S.A. 17:941)	3,098,806	-
Total	\$3,598,806	\$226,659

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fire District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

Investments

New Jersey statutes permit the District to purchase the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONT'D)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52: 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2018, the District had \$1,414,303 on deposit with the New Jersey Cash Management Fund.

Note 3. CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the fire districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

NOTES TO BASIC FINANCIAL STATEMENTS

Note 3. CAPITAL ASSETS (CONT'D)

Capital assets consisted of the following at the District:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets that are not being depreciated:					
Land	\$ 650,000				\$ 650,000
Totals capital assets that are not being depreciated	650,000				650,000
Capital assets being depreciated:					
Buildings and building improvements	1,810,137				1,810,137
Vehicles	3,589,869				3,589,869
Equipment	171,881				171,881
Totals capital assets that are being depreciated	5,571,887	-	-	-	5,571,887
Less accumulated depreciation:					
Buildings and building improvements	(1,167,755)	(60,342)			(1,228,097)
Vehicles	(1,989,028)	(156,594)			(2,145,622)
Equipment	(171,881)				(171,881)
Total Accumulated depreciation	(3,328,664)	(216,936)	-	-	(3,545,600)
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	2,243,223	(216,936)	-	-	2,026,287
Government Activities Capital Assets, Net	\$ 2,893,223	\$ (216,936)	\$ -	\$ -	\$ 2,676,287

Depreciation expense was charged to functions of the District as follows:

Cost of Operation and Maintenance \$ (216,936)

Joint Board – Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Equipment	\$ 122,138	\$	\$	\$	\$ 122,138
Less Accumulated Depreciation For:					
Equipment	(122,138)				(122,138)
Government Activities Capital Assets, Net	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences payable	\$ 82,058	\$ 5,621	\$	\$ 87,679	\$ -
Net length of service awards program liability	459,564	42,295	36,178	465,681	
Net pension liability	803,015		137,215	665,800	
Total governmental activity long-term liabilities	\$ 1,344,637	\$ 47,916	\$ 173,393	\$ 1,219,160	\$ -

NOTE 5. PENSION PLANS

Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018:

	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	174,904
Inactive plan members entitled to but not yet receiving benefits	589
Active plan members	<u>254,780</u>
Total	<u><u>430,273</u></u>

Contributing Employers - 1,703

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with full payment and any such amounts were not to be included in their unfunded liability. The actuaries determined the unfunded liability of the System, 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

NOTE 5. PENSION PLANS (CONT'D)

period of 15 years, which began 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.

Each member contributes a percentage of compensation. Effective October 1, 2011, Chapter 78, P.L. 2011, Chapter 78, P.L. 2011 set the member contribution rate at 6.5% and caused it to increase by 1/7th of 1% each July thereafter. On July 1, 2018, the full rate implemented by this law was achieved, and therefore the full 7.5% will be the required 2018 contribution.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2018 the District's total payroll for all employees was \$245,748, which approximates the covered PERS payroll.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:15 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 contributions are based on an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year, 2018, the State's pension contribution was less than the actuarial determined amount. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. District contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

It is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

The District recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

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 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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 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 tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. 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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The District's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the District was \$665,800 or 0.00338150%, which was a decrease of 0.0000681151% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the District recognized \$37,432 in pension expense. At December 31, 2018 the District 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>
Differences between expended and actual experience	\$ 12,697	\$ 3,433
Changes of assumptions	109,713	212,888
Net difference between projected and actual investment earnings on pension plan investments		6,245
Changes in proportion	8,468	12,983
District contributions subsequent to the measurement date	16,817	
	<u>\$ 147,695</u>	<u>\$ 235,549</u>

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

\$16,817 is reflected above as deferred outflows of resources related to PERS resulting from District contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS will be recognized as a reduction of the net pension liability as follows:

Year ended December 31,	Amount
2019	\$ 1,989
2020	(9,278)
2021	(41,020)
2022	(41,887)
2023	(14,475)
Total	<u>\$ (104,671)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2018
Inflation	2.25%
Salary Increases (2026)	1.65% - 4.15% based on age
Thereafter	2.65% - 5.15% based on age
Investment rate of return	7.00%

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

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

<u>Asset Class</u>	<u>June 30, 2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year.

The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
PERS	\$ 837,167	\$ 665,800	\$ 522,034

Plan Fiduciary Net Position – The plan fiduciary net position for PERS including the State of New Jersey at June 30, 2018 was \$29,472,374,536. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2018 was \$22,742,071,972.

Additional information

Collective Local Group balances at June 30, 2018 are as follows:

Collective balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability - Local group	19,689,501,539

District's Proportion 0.0033815000%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2018 was \$1,099,708,157. The average of the expected remaining service lives of all plan members is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Prior to July 1, 2017 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contribution for the year ended June 30, 2018 was \$1,017,878,064.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. POST-RETIREMENT HEALTH CARE BENEFITS

In addition to the pension and retirement plans described in Note 5, the District provides post-retirement health care benefits, in accordance with State statutes, to employees who retire from the District with at least 25 years of service. Benefits consist of full medical, dental, prescription and optical coverage, and expenditures are recognized as claims are reported.

The Fire District did not recognize the OPEB liability pursuant to GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in the financial statements or notes to financial statements. The amount that should have been reported could not reasonably be determined.

NOTE 7. COMPENSATED ABSENCES

The District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB16), “Accounting for compensated Absences”. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and accumulate for use in future years. Upon the attainment of specified years of service or upon reaching normal retirement age, employees become eligible to receive compensation for unused accumulated sick leave.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

At December 31, 2018, the total value of accumulated compensated absences, based upon current pay rates was \$87,679.

NOTE 8. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The District has authorized the enactment of a Length of Service Award Program by Resolution. The District currently serves as plan administrator with amounts held by the District and Standard Security Life Insurance Company. The LOSAP program was placed on the ballot at the annual election and was approved by the voters. For the year 2018, a budget appropriation of \$32,643 was made and accrued for LOSAP benefits. As of December 31, 2018, the District’s LOSAP Program plan assets totaled \$465,648.

The authorized LOSAP program is a defined contribution plan that has been established in accordance with New Jersey Statute, which can be found beginning at N.J.A.C. 5:30-14.1 and the Internal Revenue Code Section 457. The LOSAP program shall provide for an annual contribution to a tax deferred income account for each eligible volunteer member that satisfies the criteria as adopted by the District and certified accordingly. Points can be earned by attending training courses, drills, meetings and work details, holding elected or appointed positions, participating in department responses and any other miscellaneous activities approved by the chief. For each of the above categories, maximums are established that require the volunteer to participate in multiple events in order to obtain the required points for attainment of the year of service credit. Emergency volunteers are not able to receive a distribution of funds until the completion of a five-year vesting period. If a volunteer fails to vest or terminates association with the District prior to

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (CONT'D.)

the completion of the five-year vesting period, the funds placed in the LOSAP account on behalf of the volunteer shall revert to the District, not the volunteer.

All amounts awarded under the LOSAP program remain the asset of the District and the obligation of the District to participating volunteers shall be contractual only. Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the District. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73. The trust assets are recorded in the General fund as restricted cash and as a component of restricted fund balance.

NOTE 9. RISK MANAGEMENT

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

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, workers compensation, and surety bond coverage. Insurance coverage was maintained in amounts consistent with prior years.

NOTE 10. FUND BALANCE/ FUND BALANCE APPROPRIATED

General Fund - Of the \$2,778,880 total General Fund balance at December 31, 2018, \$500,000 has been assigned and included as anticipated revenue for the year ending December 31, 2019; \$465,648 is reported as Restricted for Length of Service Award Program; \$8,389 is reported as Restricted for Uniform Fire Safety Act; \$197,776 is reported as Assigned for Other Purposes; and the remaining \$1,607,067 is reported as unassigned.

Capital Projects Fund – Of the \$735,945 Capital Projects fund balance at December 31, 2018, the balance of \$735,945 is restricted - capital projects and of which \$450,000 is assigned and designated for subsequent year's expenditures.

Component Unit - Joint Board of Fire Commissioners – Of the \$276,994 total General Fund balance at December 31, 2018, \$89,000 has been assigned and appropriated and as anticipated revenue for the year ending December 31, 2019; \$63,200 is reported as Restricted for Encumbrances; and the remaining \$124,797 is reported as unassigned.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Federal and State Assistance Programs

The District participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2018, the District does not believe that any material liabilities will result from such audits.

Contingencies – Pending Litigation

As of the date of this report there is no litigation pending which, if decided adversely to the District would have a material financial impact on the District.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12. SUBSEQUENT EVENTS

The District has evaluated events through to the date the financial statements were issued. There were no subsequent events that need disclosure. The District has evaluated subsequent events occurring after December 31, 2018 through the date of August 28, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined the following subsequent event has occurred which requires disclosure in the financial statements.

Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the District's economically sensitive revenues (i.e. amount raised by taxation, joint purchasing agreements, and annual registration fees) might be negatively impacted. Collection rates on real property taxes might be slowed as unemployment rates are expected to spike. Meanwhile, the District's expenditures for pension benefits (due to stock market declines) would all be expected to increase sharply. None of these factors were taken into consideration in the development of the 2019 or 2020 adopted budget. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the District's financial position at this time.

NOTE 13. PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position/fund balance as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Net position/fund balance was restated as follows:

	Governmental Activities	Governmental Fund:	Fiduciary Fund:
		General Fund	Length of Service Award Program
Net position/fund balance as previously reported at December 31, 2017	\$ 4,592,613	\$ 2,112,176	\$ 459,564
Prior period adjustment - Implementation of GASB Statement No. 73:			
Reclassification of length of service award program cash balance from Fiduciary Fund to Governmental Fund		459,564	(459,564)
Interfund adjustment between fiduciary fund and governmental fund/governmental activities	48,111	48,111	-
Total prior period adjustment	48,111	507,675	(459,564)
Net position/fund balance as restated, January 1, 2018	\$ 4,640,724	\$ 2,619,851	\$ -

Fire District No. 9 of the Township of Woodbridge
Required Supplementary Information
Budgetary Comparison Schedule
For the year ended December 31, 2018

Fire District No. 9 (excluding Component Unit):

	Original Budget	Modified Budget	Actual	Variance Budget to Actual
Revenues:				
Local sources				
District taxes	\$ 2,039,295	\$ 2,039,295	\$ 2,039,295	\$ -
Miscellaneous revenues:				
Interest on investments and deposits	13,000	13,000	33,769	20,769
Other grants and entitlements	3,409	3,409	-	(3,409)
Miscellaneous revenue not anticipated	-	-	4,769	4,769
Total miscellaneous revenues	16,409	16,409	38,538	22,129
Revenues offset with appropriations:				
Uniform Fire Safety Act				
State registration fees	50,000	50,000	47,240	(2,760)
Permit fees	10,700	10,700	1,728	(8,972)
Penalties and fines	4,500	4,500	5,500	1,000
Total revenues offset with appropriations	65,200	65,200	54,468	(10,732)
Total revenues	2,120,904	2,120,904	2,132,301	11,397
Expenditures:				
Administration				
Salaries and wages:				
Commissioners	50,000	50,000	50,001	(1)
Business administrator	91,488	91,488	91,488	-
Operation manager	56,000	56,000	43,457	12,543
Stenographer	9,000	9,000	6,847	2,153
Fringe benefits	304,508	304,508	166,011	138,497
Other administration expenditures:				
Election	2,500	2,500	1,755	745
Insurance	52,000	52,000	50,346	1,654
Membership & dues	800	800	400	400
Office expenditures	14,500	14,500	6,147	8,353
Professional expenditures	295,000	295,000	241,494	53,506
Travel expenditures	1,000	1,000	-	1,000
Accounting and payroll services	10,000	10,000	7,208	2,792
Computer network consulting/maintenance	13,000	13,000	-	13,000
Medical examinations	14,000	14,000	4,673	9,327
Workers compensation insurance	13,500	13,500	36,246	(22,746)
Total administration	927,296	927,296	706,073	221,223

See Independent Auditors' Report.

**Fire District No. 9 of the Township of Woodbridge
Required Supplementary Information
Budgetary Comparison Schedule - Fire District No. 9 (continued)
For the year ended December 31, 2018**

Fire District No. 9 (excluding Component Unit) (continued):

	Original Budget	Modified Budget	Actual	Variance Budget to Actual
Cost of operations and maintenance				
Salaries and wages:				
Fire chief	4,073	4,073	4,073	-
Scott Air Pak technician	3,000	3,000	-	3,000
Fire official	32,804	32,804	35,214	(2,410)
Public inspector	55,634	55,634	55,634	-
Overtime	4,000	4,000	-	4,000
Fringe benefits	41,044	41,044	22,096	18,948
Other expenditures:				
Advertising	1,000	1,000	713	287
Maintenance and repair (apparatus & facilities)	431,500	460,298	134,554	325,744
Materials & supplies	74,194	115,022	62,010	53,012
Training and education	29,000	29,000	21,331	7,669
Uniforms and equipment	56,750	74,136	36,425	37,711
Telephone & utilities & heat/diesel fuel	131,000	131,000	114,265	16,735
Fire hydrant expenditures	275,000	275,000	273,592	1,408
Joint purchase agreement	105,500	105,500	100,108	5,392
Supplemental fire services program	3,409	3,409	-	3,409
Landscaping and snow removal	18,000	18,000	7,580	10,420
Workers compensation insurance	26,500	26,500	-	26,500
Life insurance	25,000	25,000	-	25,000
Reimbursement of expenditures & losses	1,000	1,000	-	1,000
Contingency	5,000	5,000	-	5,000
Equipment - computer	25,000	25,000	15,497	9,503
Total cost of operations and maintenance	<u>1,348,408</u>	<u>1,435,420</u>	<u>883,092</u>	<u>552,328</u>
Operating appropriations - offset by revenue				
Salaries and wages:				
Fire inspectors	45,239	45,239	45,240	(1)
Overtime	18,405	18,405	-	18,405
Other operating appropriations - offset by revenue				
Materials and supplies	1,556	1,556	3,522	(1,966)
Equipment	-	-	2,002	(2,002)
Training	-	-	2,240	(2,240)
Fire prevention materials	-	-	14,056	(14,056)
Total operating appropriations - offset by revenue	<u>65,200</u>	<u>65,200</u>	<u>67,060</u>	<u>(1,860)</u>
Length of service awards program (LOSAP)	<u>30,000</u>	<u>30,000</u>	<u>32,643</u>	<u>(2,643)</u>

See Independent Auditors' Report.

**Fire District No. 9 of the Township of Woodbridge
Required Supplementary Information
Budgetary Comparison Schedule - Fire District No. 9 (continued)
For the year ended December 31, 2018**

Fire District No. 9 (excluding Component Unit) (continued):

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Budget to Actual</u>
Capital appropriations	300,000	300,000	-	300,000
Total expenditures	2,670,904	2,757,916	1,688,868	1,069,048
Excess of revenues over expenditures	(550,000)	(637,012)	443,433	1,080,445
Fund balance, January 1, as restated	2,548,121	2,548,121	2,548,121	-
Fund balance, December 31	<u>\$ 1,998,121</u>	<u>\$ 1,911,109</u>	<u>\$ 2,991,554</u>	<u>\$ 1,080,445</u>
Reconciliation to GAAP basis				
Reconciliation of Budgetary Basis to GAAP Reporting Basis:				
Budgetary revenues over expenditures			\$ 443,433	
Adjustments to Budgetary Basis:				
LOSAP interest earnings			9,619	
LOSAP participant withdrawals			(26,666)	
LOSAP district contribution			32,643	
Total adjustments			<u>15,596</u>	
Excess of revenues over expenditures (Exhibit - B2)			<u>\$ 459,029</u>	

See Independent Auditors' Report.

Fire District No. 9 of the Township of Woodbridge
Required Supplementary Information - Schedule Of The District's
Proportionate Share of the Net Pension Liability
New Jersey Public Employees' Retirement System (PERS)
Last Ten Fiscal Years (1)

	2018	2017	2016	2015
District's proportion of the net pension liability	<u>0.003381%</u>	<u>0.003450%</u>	<u>0.003427%</u>	<u>0.003398%</u>
District's proportionate share of the net pension liability	<u>\$ 665,800</u>	<u>\$ 803,015</u>	<u>\$ 1,014,946</u>	<u>\$ 762,377</u>
District's covered payroll	<u>\$ 245,748</u>	<u>\$ 236,722</u>	<u>\$ 238,988</u>	<u>\$ 229,448</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>270.93%</u>	<u>339.22%</u>	<u>424.68%</u>	<u>332.27%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>53.60%</u>	<u>48.10%</u>	<u>40.14%</u>	<u>47.93%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Notes to Required Supplementary Information:

Benefit Changes

There were none.

Changes in Assumptions

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

See independent auditors' report.

Fire District No. 9 of the Township of Woodbridge
 Required Supplementary Information - Schedule of District Contributions
 New Jersey Public Employees' Retirement System (PERS)
 Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	<u>\$ 31,957</u>	<u>\$ 30,444</u>	<u>\$ 29,217</u>	<u>\$ 27,658</u>
Contributions in relation to the contractually required contribution	<u>(31,957)</u>	<u>(30,444)</u>	<u>(29,217)</u>	<u>(27,658)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 245,748</u>	<u>\$ 236,722</u>	<u>\$ 238,988</u>	<u>\$ 229,448</u>
Contributions as a percentage of covered payroll	<u>13.00%</u>	<u>12.86%</u>	<u>12.23%</u>	<u>12.05%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

See independent auditors' report.

Fire District No. 9 of the Township of Woodbridge

**SUMMARY SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2018**

Issue/Project	Date Voter Authorized	Funded Appropriation	Budgeted Increase Current Year	Expenditures		Unexpended Balance
				Prior Years	Current Year	
Radio System Upgrade	2006	\$ 300,000	\$	\$ (279,036)	\$	20,964
Property Improvements	2007	100,000		(87,137)		12,863
Purchase of Fire Fighting Apparatus	2011	800,000		(697,882)		102,118
		<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ (1,064,055)</u>	<u>\$ -</u>	<u>\$ 135,945</u>

**Fire District No. 9 of the Township of Woodbridge
Component Unit
Balance Sheet
December 31, 2018**

	Component Unit
ASSETS	
Current assets:	
Unrestricted cash	\$ 224,794
Accounts receivable	59,200
Total assets	\$ 283,994
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ 7,000
Total liabilities	7,000
FUND BALANCES	
Assigned:	
Designated for subsequent year's expenditures	89,000
Other purposes	63,200
Unassigned	124,794
Total fund balance	276,994
Total liabilities and fund balance	\$ 283,994

**Fire District No. 9 of the Township of Woodbridge
Component Unit
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2018**

	Component Unit
REVENUES	
Miscellaneous revenues:	
Joint purchasing agreement	\$ 52,000
Interest and dividends	310
Miscellaneous revenue not anticipated	1,550
Total revenues	53,860
EXPENDITURES	
Administration:	
Other:	
Insurance	6,512
Office expenditures	267
Professional expenditures	3,500
Accounting and payroll services	5,510
Total administration	15,789
Cost of operations and maintenance:	
Other:	
Maintenance and repair (apparatus & facilities)	79
Materials & supplies	5,149
Training and education	1,500
Joint purchase agreement	5,000
Total cost of operations and maintenance	11,728
Total expenditures	27,517
Excess of revenues over expenditures	26,343
Net changes in fund balance	26,343
Fund balance, beginning of year	250,651
Fund balance, end of year	\$ 276,994

See independent auditors' report.

**Fire District No. 9 of the Township of Woodbridge
Required Supplementary Information
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2018**

Component Unit:

	Original Budget	Final Budget	Actual	Variance Budget to Actual
Revenues:				
Miscellaneous anticipated revenues:				
Joint purchasing agreement	\$ 53,800	\$ 53,800	\$ 52,000	\$ (1,800)
Miscellaneous revenues:				
Interest on investments and deposits	100	100	310	210
Miscellaneous revenue not anticipated	-	-	1,550	1,550
Total miscellaneous revenues	<u>53,900</u>	<u>53,900</u>	<u>53,860</u>	<u>1,760</u>
Total revenues	<u>53,900</u>	<u>53,900</u>	<u>53,860</u>	<u>1,760</u>
Expenditures:				
Administration				
Other administration expenditures:				
Election	3,000	3,000	-	3,000
Insurance	12,500	12,500	6,512	5,988
Office expenditures	1,800	1,800	267	1,533
Professional expenditures	8,500	8,500	3,500	5,000
Accounting and payroll services	7,000	7,000	5,510	1,490
Workers compensation insurance	1,000	1,000	-	1,000
Total administration	<u>33,800</u>	<u>33,800</u>	<u>15,789</u>	<u>17,011</u>
Cost of operations and maintenance				
Other expenditures:				
Advertising	500	500	-	500
Maintenance and repair (apparatus & facilities)	9,500	9,500	79	9,421
Materials & supplies	15,500	15,500	5,149	10,351
Training and education	10,500	10,500	1,500	9,000
Telephone & utilities & heat/diesel fuel	1,000	1,000	-	1,000
Mutual Service Agreement (WTFOA)	5,000	5,000	5,000	-
Reimbursement of expenditures & losses	1,000	1,000	-	1,000
Contingency	1,850	1,850	-	1,850
Total cost of operations and maintenance	<u>44,850</u>	<u>44,850</u>	<u>11,728</u>	<u>33,122</u>
Total expenditures	<u>78,650</u>	<u>78,650</u>	<u>27,517</u>	<u>50,133</u>
Excess/(deficiency) of revenues over expenditures	(24,750)	(24,750)	26,343	51,893
Fund balance, January 1	250,651	250,651	250,651	-
Fund balance, December 31	<u>\$ 225,901</u>	<u>\$ 225,901</u>	<u>\$ 276,994</u>	<u>\$ 51,893</u>

See Independent Auditors' Report.

**Fire District No. 9 of the Township of Woodbridge
Comments and Recommendations
Year Ended December 31, 2018**

Finding 2018-001

Accrual of OPEB Liability:

The Fire District has not recognized the OPEB liability pursuant to GASB No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

It is recommended that the Fire District pursue an actuarial valuation of the OPEB liability and recognize the OPEB liability in the accounting records

Finding 2018-002

Compensated Absences:

The Fire District does not have a formal policy in place over the accrual of sick, vacation and personal time. Additionally, the Fire District does not have an internal control system implemented to monitor the accrual of sick, vacation, and personal time. Finally, the underlying records have not been maintained to support the liability for compensated absences reported within the District's general ledger system.

It is recommended that the Fire District implement and formally approve a sick, vacation and personal time policy. Additionally, it is recommended internal control procedures are implemented to monitor the compensated absence liability. Additionally, we recommend the underlying documentation be retained to support the liability reported for compensated absences.

Finding 2018-003

Capital Fixed Asset Accounting:

The Fire District does not have an accounting system implemented to assign values to covered assets and to track additions, retirements and transfers of capital assets.

It is recommended that the Fire District develop a capital asset accounting and reporting system, including recording and reporting of capital asset acquisitions, disposals, transfers, and recording of depreciation.

Finding 2018-004

Timing of Audit:

N.J.S.A. 5:31-7.6 of the Rules and Regulations of the New Jersey Department of Community Affairs, Local Finance Board states the annual audit must be filed within four months after year end. The District encountered delays in the processing of financial information and records that resulted in the delay of the availability of the financial records for audit.

It is recommended that the Fire District complete the annual audit within the timeframe required by *N.J.S.A. 5:31-7.6*.

**Fire District No. 9 of the Township of Woodbridge
Comments and Recommendations (continued)
Year Ended December 31, 2018**

Finding 2018-005

Length of Service Awards Program:

The Fire District currently maintains a Length of Service Award Program (LOSAP) for volunteer members of the non-profit company. The District does not have a LOSAP plan provider to administer its LOSAP program.

It is recommended that the Fire District select a LOSAP plan provider from the State approved listing in order to be in compliance with rules and regulations.

