

**FIRE DISTRICT NO. 4
OF THE TOWNSHIP OF JACKSON**

Financial Statements and Supplementary Information

For the year ended December 31, 2020

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Table of Contents
For the year ended December 31, 2020
(With Independent Auditor's Report thereon)

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Management's Discussion and Analysis	5-11
District Wide Statement of Net Position	12
District Wide Statement of Activities	13
Governmental Funds Balance Sheet	14
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the District Wide Statement of Activities	17
Notes to Financial Statements	18-40
Required Supplementary Information, Part I:	
Budgetary Comparison Schedule	41-42
Notes to the Required Supplementary Information: Budget-to-GAAP Reconciliation	43
Required Supplementary Information, Part II:	
Schedule of the District's Proportionate Share of the Net Pension Liability – PFRS	44
Schedule of District Contributions – PFRS	45
Notes to the Required Supplementary Information	46
General Comments and Recommendations	47-49

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Jackson Board of Fire Commissioners No. 4
County of Ocean
Jackson Township, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson Board of Fire Commissioners No. 4 (hereafter referred to as the District), County of Ocean, State of New Jersey, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Fire District No. 4 of the Township of Jackson, County of Ocean, State of New Jersey, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2020 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 28, 2021
Lakewood, New Jersey

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

Board of Fire Commissioners
Jackson Board of Fire Commissioners No. 4
County of Ocean
Jackson Township, New Jersey

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, each major fund and the aggregate remaining fund information of Jackson Board of Fire Commissioners No. 4 (hereafter referred to as the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated July 28, 2021.

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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 no 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.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 28, 2021
Lakewood, New Jersey

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

As management of the Fire District No. 4 of the Township of Jackson (hereafter referred to as the District) offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended, December 31, 2020. The intent of this narrative is to look at the District's overall financial performance in terms easily understood by the layperson. Please read this in conjunction with the District's financial statements which begin on page 12. Notes to the financial statements will provide the reader with additional useful information and they begin on page 19.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at December 31, 2020 by approximately \$1,919,000. During 2019 the excess

- of assets and deferred outflows of resources over liabilities and deferred inflows of resources was approximately \$2,198,400. This is a decrease of approximately \$279,500.

During 2020 the District operated at a deficit of approximately \$279,500. During 2019 the Fire

- District operated at a deficit of approximately \$366,400. This is a decrease of approximately \$87,000.

- The District's liabilities and deferred inflows of resources increased approximately \$356,200 in 2020 and their assets and deferred outflows of resources increased by approximately \$76,700.
- As described in Note 2 to the financial statements *Impact of Recently Issued Accounting Pronouncements*, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, for the year ended December 31, 2020. The adoption of this statement did not have a significant impact on the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The District's basic financial statements are comprised of three components: district wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 7. District wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The district wide statement of net position presents information on all the assets and liabilities of the District. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The district wide statement of activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district wide financial statements report on the financial data by function. The District has one basic function: activities that are supported by property taxes. The District provides firefighting services to the citizens of Jackson Township, New Jersey.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the District uses fund accounting to document compliance with finance-related legal matters. the District has one type of fund, which is the governmental fund.

Governmental Funds

The District's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

The District maintains two separate government funds, the General Fund and Capital Projects Fund (Debt Service Fund). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund.

The relationship (or differences) between governmental activities (reported in the district wide statement of net position and the district wide statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by *N.J.S.A. 40A:14:78-3*, the District adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

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

DISTRICT WIDE FINANCIAL ANALYSIS

The District's net position is a useful indicator of the District's financial condition. At the end of 2020, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$1,919,000. The largest portion of The District's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. The District's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
DISTRICT WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and other assets	\$ 2,487,705	\$ 2,344,479	\$ 143,226	6.11%
Capital assets	<u>2,487,875</u>	<u>2,554,357</u>	<u>(66,482)</u>	(2.60%)
Total assets and deferred outflows of resources	4,975,580	4,898,836	76,744	1.57%
Total liabilities and deferred inflows of resources	<u>(3,056,619)</u>	<u>(2,700,413)</u>	<u>356,206</u>	(13.19%)
Net position	<u>\$ 1,918,961</u>	<u>\$ 2,198,423</u>	<u>\$ (279,462)</u>	(12.71%)

Analysis of net position

Invested in capital assets, net of related debt	\$ 2,487,875	\$ 2,554,357	\$ (66,482)	(2.60%)
Restricted for:				
Capital projects	294,260	439,020	(144,760)	(32.97%)
Unrestricted	<u>(863,174)</u>	<u>(794,954)</u>	<u>(68,220)</u>	(8.58%)
Total net position	<u>\$ 1,918,961</u>	<u>\$ 2,198,423</u>	<u>\$ (279,462)</u>	(12.71%)

2020 Net Position



- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Unrestricted

2019 Net Position



- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Unrestricted

The net position of the District decreased approximately \$279,500 as a result of the current year deficit. In 2020 the capital assets decreased by approximately \$66,500 after depreciation expense.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

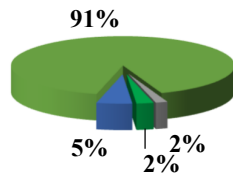
Governmental Activities

The district wide statement of activities shows the cost of the governmental activities program services. A summary of these activities follows:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
DISTRICT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020 AND 2019**

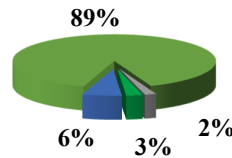
	<u>2020</u>	<u>2019</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 107,816	\$ 127,918	\$ (20,102)	(15.71%)
Cost of operations and maintenance	1,896,503	1,829,957	66,546	3.64%
Revenues offset with appropriations	36,066	37,269	(1,203)	(3.23%)
Length of service awards program contribution	51,999	53,849	(1,850)	(3.44%)
Total program expenses	<u>2,092,384</u>	<u>2,048,993</u>	43,391	2.12%

2020 Program Expenses



- Administrative
- Cost of Operations
- Revenues offset with Appropriations
- Length of Service Awards Program

2019 Program Expenses



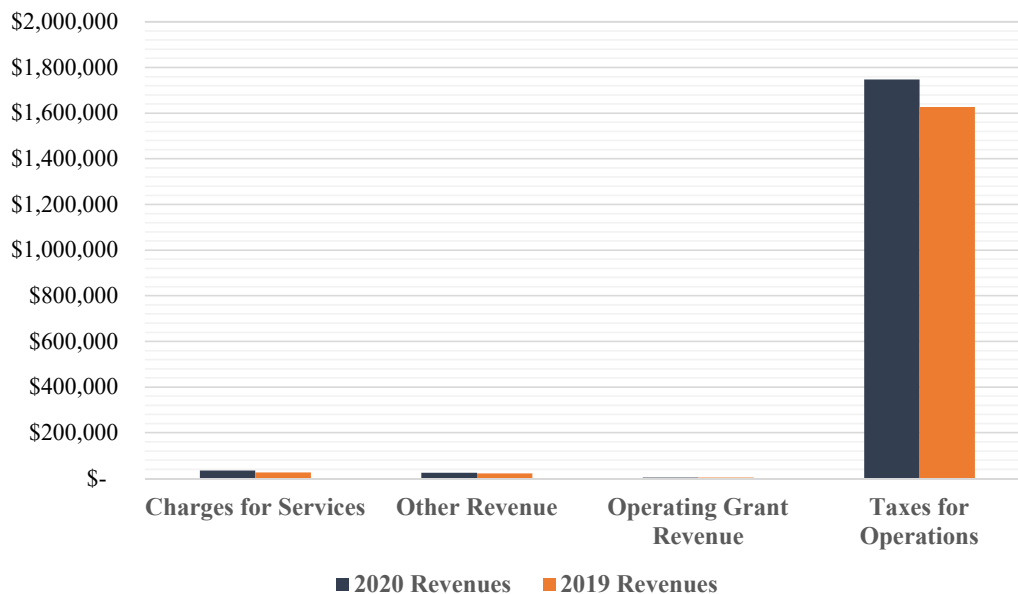
- Administrative
- Cost of Operations
- Revenues offset with Appropriations
- Length of Service Awards Program

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)
YEAR ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Program revenues:				
Charges for services	34,930	26,850	8,080	30.09%
Total program revenues	34,930	26,850	8,080	30.09%
Net program expenses	2,057,454	2,022,143	35,311	1.75%
General revenues:				
Property taxes levied for:				
General purposes	1,748,247	1,628,045	120,202	7.38%
Total property taxes levied	1,748,247	1,628,045	120,202	7.38%
Other revenue	25,403	23,313	2,090	8.96%
Operating grant revenue	4,342	4,342	-	0.00%
Total general revenues	1,777,992	1,655,700	122,292	7.39%
Increase (decrease) in net position	(279,462)	(366,443)	86,981	(23.74%)
Net position, January 1	2,198,423	2,564,866	(366,443)	(14.29%)
Net position, December 31	\$ 1,918,961	\$ 2,198,423	\$ (279,462)	(12.71%)

Revenues



Property tax revenue constituted 96% of the total governmental activities revenues received by the District in 2020 and 97% in 2019.

The Cost of Operations & Maintenance comprised 91% and 89% of the District's total expenses in 2020 and 2019, respectively. Administration expenses comprised 5% and 6% of the total expenses in 2020 and 2019, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

The District uses fund accounting to document compliance with finance-related legal requirements.

Governmental Fund

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

As of December 31, 2020, the combined balance of the governmental cash funds of the District was approximately \$637,300. This balance is approximately \$257,500 higher than last year's combined governmental funds balance.

The combined balance of the governmental funds of the District was approximately \$1,742,500. Unassigned fund balance amounted to approximately \$409,200 of that total. Funds of approximately \$471,800 have been designated for use in the 2021 Budget.

The general fund is the main operating fund of the District. At the end of 2020, the total fund balance of the general fund was approximately \$1,448,200. Of this balance, approximately \$409,200 of it was unassigned.

During 2020 the general fund balance of the District increased by approximately \$125,800. The primary reason for this increase are as follows:

- The Board had revenues in excess of expenses of approximately \$125,800.

At the end of 2020, the District had a capital projects fund balance of approximately \$294,300. This is a decrease of \$144,800. The primary reason for this decrease are as follows:

- The Board had expenses in excess of revenues of approximately \$144,800.

General Fund Budgetary Highlights

The 2020 Budget had a deficit in revenues and the District required the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

- The District had total actual revenues in excess of budgeted revenues of approximately \$24,800 in 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2020 the District had invested in capital assets for government activities of approximately \$2,487,900 (net of accumulated depreciation). Capital assets consist of building improvements, equipment and vehicles and apparatus.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>\$ Increase (Decrease)</u>
Capital Assets:			
Non-depreciable:			
Building in progress	\$ -	\$ 690,703	(690,703)
Total non-depreciable assets	-	690,703	(690,703)
Depreciable:			
Buildings and improvements	\$ 3,427,746	\$ 2,577,884	\$ 849,862
Equipment	1,070,087	1,012,671	57,416
Vehicles and apparatus	2,713,578	2,713,578	-
Total depreciable assets	<u>7,211,411</u>	<u>6,304,133</u>	<u>907,278</u>
Accumulated depreciation	<u>(4,723,536)</u>	<u>(4,440,479)</u>	<u>(283,057)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,487,875</u>	<u>\$ 2,554,357</u>	<u>\$ (66,482)</u>

Additional information on the District's capital assets can be found in Note 7 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2020, the District was able to fund its appropriations through the fire tax levy and other revenues. In 2020 the property tax revenue also constituted 91% of total revenues.

The District adopted their 2021 budget on January 14, 2021. The voters subsequently voted to approve the budget at the February election. The 2021 adopted budget reflected an increase in the tax levy of \$77,674, in which the Board anticipates no significant change to the fire tax rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 4 of the Township of Jackson's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Cheryl Parker, Fire District No. 4 of the Township of Jackson, 465A North County Line Road, Jackson, New Jersey, 08527.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
District Wide Statement of Net Position
December 31, 2020

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash (Note 3)	\$ 637,347
Investments (Note 5)	778,647
Accounts receivable (Note 4)	36,916
Prepaid expenses	22,473
Total current assets	<u>1,475,383</u>
Noncurrent assets:	
Investment in length of service awards program:	
at fair value (Note 5)	394,612
at contract value (Note 6)	116,330
Total investment in length of service awards program	<u>510,942</u>
Total noncurrent assets	<u>1,986,325</u>
Capital assets, net:	
Depreciable (Note 7)	<u>2,487,875</u>
Total capital assets	<u>2,487,875</u>
Total assets	<u>4,474,200</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 9)	<u>501,380</u>
Total deferred outflow of resources	<u>501,380</u>
Total assets and deferred outflow of resources	<u>\$ 4,975,580</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 51,743
Accrued expenses	22,925
Accrued pension	146,732
Total current liabilities	<u>221,400</u>
Noncurrent liabilities:	
Compensated absences (Note 8)	86,109
Net pension liability (Note 9)	1,697,130
Investment in length of service award program payable (Note 10)	562,941
Total noncurrent liabilities	<u>2,346,180</u>
Total liabilities	<u>2,567,580</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 9)	<u>489,039</u>
Total deferred inflow of resources	<u>489,039</u>
Total liabilities and deferred inflow of resources	<u>3,056,619</u>
NET POSITION	
Net investment in capital assets	2,487,875
Restricted for:	
Capital projects	294,260
Unrestricted (Note 15)	(863,174)
Total net position	<u>1,918,961</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,975,580</u>

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
District Wide Statement of Activities
For the year ended December 31, 2020

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>
Governmental activities:			
Operation appropriations:			
Administration	\$ 107,816	\$ -	\$ 107,816
Costs of operations and maintenance	1,896,503	-	1,896,503
Operating appropriations offset with revenues	36,066	34,930	1,136
Length of service awards program contribution	51,999	-	51,999
Total governmental activities	<u>\$ 2,092,384</u>	<u>\$ 34,930</u>	<u>2,057,454</u>
General revenues:			
Miscellaneous revenue			25,403
Operating grant revenues			4,342
Amount raised by taxation			<u>1,748,247</u>
Total general revenues			<u>1,777,992</u>
Change in net position			(279,462)
Net position, January 1			<u>2,198,423</u>
Net position, December 31			<u>\$ 1,918,961</u>

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Governmental Funds
Balance Sheet
December 31, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets:			
Current assets:			
Cash	\$ 637,347	\$ -	\$ 637,347
Investments	-	778,647	778,647
Accounts receivable	36,916	-	36,916
Other receivables	484,387	-	484,387
Total current assets	1,158,650	778,647	1,937,297
Noncurrent assets:			
Investment in length of service awards program:			
at fair value	394,612	-	394,612
at contract value	116,330	-	116,330
Total investment in length of service awards program	510,942	-	510,942
Total noncurrent assets	510,942	-	510,942
Total assets	\$ 1,669,592	\$ 778,647	\$ 2,448,239
Liabilities, equity and other credits:			
Accounts payable	\$ 51,743	\$ -	\$ 51,743
Accrued expenses	22,925	-	22,925
Accrued pension	146,732	-	146,732
Other payables	-	484,387	484,387
Total liabilities	221,400	484,387	705,787
Fund balances:			
Restricted for:			
Capital	-	294,260	294,260
Investment in length of service awards program	562,941	-	562,941
Assigned for:			
Subsequent year's expenditures	471,815	-	471,815
Other purposes	4,279	-	4,279
Unassigned, reported in:			
General fund	409,157	-	409,157
Total fund balances	1,448,192	294,260	1,742,452
Total liabilities and fund balances	\$ 1,669,592	\$ 778,647	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:			
Prepaid expenses are reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed.			22,473
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,211,411 and the accumulated depreciation is \$4,723,536.			2,487,875
Deferred outflows and inflows of resources related to pensions and other post-employment health benefits are applicable to future reporting periods and, therefore, are not reported in the funds.			12,341
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.			(2,346,180)
Net position of governmental activities			\$ 1,918,961

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Miscellaneous anticipated revenue:			
Investment income - unrestricted cash and investments	\$ 16,350	\$ -	\$ 16,350
Appreciation in the value of length of service awards program	71,838	-	71,838
Other revenue	9,053	-	9,053
Total miscellaneous revenues	<u>97,241</u>	<u>-</u>	<u>97,241</u>
Operating grant revenue:			
Supplemental fire service grant	4,342	-	4,342
Total operating grant revenue	<u>4,342</u>	<u>-</u>	<u>4,342</u>
Revenues offset with appropriations:			
Uniform fire safety act	34,930	-	34,930
Total revenues offset with appropriations	<u>34,930</u>	<u>-</u>	<u>34,930</u>
Total revenues	<u>136,513</u>	<u>-</u>	<u>136,513</u>
Amount raised by taxation to support district budget	1,748,247	-	1,748,247
Total anticipated revenues	<u>1,884,760</u>	<u>-</u>	<u>1,884,760</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	20,000	-	20,000
Other expenditures:			
Elections	4,880	-	4,880
Office expenses	9,876	-	9,876
Professional fees	73,060	-	73,060
Total administration	<u>107,816</u>	<u>-</u>	<u>107,816</u>
Cost of operations and maintenance:			
Salaries and wages	649,117	-	649,117
Fringe benefits	377,447	-	377,447
Other expenditures:			
Advertising	671	-	671
Emergency first aid equipment	5,133	-	5,133
Fire prevention	676	-	676
Fire service agreement	50,000	-	50,000
Firefighter expenses	27,511	-	27,511
Gear	8,644	-	8,644
Insurance	65,877	-	65,877
Maintenance and repairs	139,221	-	139,221
Other non-bondable assets	88,049	-	88,049
Rental charges	65,415	-	65,415
SCBA	14,795	-	14,795
Supplies	22,362	-	22,362
Training and education	14,908	-	14,908
Utilities	45,641	-	45,641
Total cost of operations and maintenance	<u>1,575,467</u>	<u>-</u>	<u>1,575,467</u>

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
Governmental Funds
For the year ended December 31, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Operating appropriations offset with revenues:			
Salaries and wages	25,000	-	25,000
Other expenditures:			
UFSA supplies	11,066	-	11,066
Total operating appropriations offset with revenues	<u>36,066</u>	<u>-</u>	<u>36,066</u>
Length of service awards program:			
Administrative fees	975	-	975
Participant withdrawals	38,594	-	38,594
Total length of service awards program	<u>39,569</u>	<u>-</u>	<u>39,569</u>
Capital appropriations	<u>-</u>	<u>144,760</u>	<u>144,760</u>
Total operating appropriations	<u>1,758,918</u>	<u>144,760</u>	<u>1,903,678</u>
Excess (efficiency) of revenues over (under) expenditures	125,842	(144,760)	(18,918)
Fund balance, January 1	<u>1,322,350</u>	<u>439,020</u>	<u>1,761,370</u>
Fund balance, December 31	<u>\$ 1,448,192</u>	<u>\$ 294,260</u>	<u>\$ 1,742,452</u>

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Reconciliation of Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance
to the District Wide Statement of Activities
December 31, 2020

Total net changes in Fund Balance-Governmental Funds (B-2) \$ (18,918)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Prepaid expenses are reported in governmental funds as expenditures. However, in the district wide statement of net position, the cost of those assets are expensed.

	Prior year	(26,486)		
	Current year	<u>22,473</u>		(4,013)

Length of service awards program (LOSAP) contribution is not reported in governmental funds as expenditures. However, in the district wide 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 the plan benefits.

	Length of service awards program contribution	(51,999)		
	Appreciation in the value of length of service awards program	(71,838)		
	Administrative fees	975		
	Participant withdrawals	<u>38,594</u>		(84,268)

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

	Capital Outlay - General Fund	71,815		
	Capital Outlay - Capital Projects Fund	144,760		
	Depreciation Expense	<u>(283,057)</u>		(66,482)

In the district wide statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid this year, the increase in sick leave paid was \$3,775.

(3,775)

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

	Pension expense	<u>(102,006)</u>		<u>(102,006)</u>
--	-----------------	------------------	--	------------------

		\$	<u><u>(279,462)</u></u>
--	--	----	-------------------------

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements
For the year ended December 31, 2020

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

Fire District No. 4 of the Township of Jackson (hereafter referred to as the District), is a political subdivision of the Township of Jackson Township, County of Ocean, State of New Jersey. A board of five fire commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of February.

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (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 hold the corporate powers of the organization;
- the District appoints a voting majority of the organization's board;
- the District is able to impose its will on the organization;
- the organization has the potential to impose financial benefit/burden on the District;
- there is a fiscal dependency by the organization on the District.

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

District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2020:

<u>Officials:</u>	<u>Term Expires</u> <u>March</u>
Alfred Couceiro	2021
Philip Goldman	2021
Wallace Jamison	2023
Shane O'Brien	2022
Raymond Torres, Jr.	2023

Accounting Records

The official accounting records of the District are maintained in the office of the District.

Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 1: GENERAL INFORMATION (continued)

Component Units

GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units*. The District did not have a component unit as of and for the year ended December 31, 2020.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of *N.J.A.C. 5:31-7-1*. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2: *Fire District Taxes*) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

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 or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Governmental Funds:

General Fund

The General Fund is the general operating fund of the District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as firefighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and firefighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question of the ballot either during the annual election or at a special election.

District Wide and Fund Financial Statements

The district wide financial statements (A-1 and A-2) include the district wide statement of net position and the district wide statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the district wide statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees. The district wide statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit.

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Wide and Fund Financial Statements (continued)

Fund Financial Statements

The fund financial statements provide detail of the governmental funds.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current 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 position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the District follows the pronouncements of the GASB.

Budgets and Budgetary Accounting

The District must adopt an annual budget in accordance with *N.J.S.A. 40A: 14-78.1 et al.*

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

Amendments may be made to the District budget in accordance with *N.J.S.A. 40A: 14-78.3*. The budget may be amended subsequent to its final adoption and approval for additional items of revenue with offsetting appropriations in accordance with *N.J.S.A. 40A: 14-78.5*. Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the District budget must appear on the ballot for the annual election for approval of the legal voters.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

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

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were \$4,279 of encumbrances at December 31, 2020.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks. Fire Districts are required by *N.J.S.A. 40A: 5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. *N.J.S.A. 40A: 5-15.1* provides a list of investments that may be purchased by fire districts. *N.J.S.A. 17:9-42* requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision 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 the State of New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If 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.

Prepaid Expenses

Prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

Debt Limitation

N.J.S.A.40A:14-84 governs procedures for the issuance of any debt related to capital purchases. In summary, Fire Districts may purchase firefighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include, buildings and improvements, equipment and vehicles and apparatus are reported in the district wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000.

Depreciation is recorded on the straight-line method (with no depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Buildings and improvements	10 to 25 Years
Equipment	5 to 15 Years
Vehicles and apparatus	5 to 25 Years

Inventory, Materials and Supplies

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

Other Receivables and Payables

Other receivables and payables are interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

Revenues and Expenditures – Governmental Funds

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when qualifying expenditures are incurred.

Expenditures are recorded when the related liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when due.

Fire District Taxes

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the district wide statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the district wide statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pension

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and expenses, information about the fiduciary net position of the Police and Firemen's Retirement System (PFRS) and additions to/deductions from the PFRS' fiduciary net position have been determined on the same basis as they are reported by the plan. For these purposes, 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.

Fund Equity

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making District and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Commissioners.
- Unassigned – includes balance within the General Fund which has not been classified within the aforementioned categories and negative fund balances in other governmental funds.

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

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements Adopted in the Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2020:

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Implementation of this statement did not have a significant impact on the District's financial statements.

Statement No. 84, *Fiduciary Activities*, establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. Statement No. 84 is effective for reporting periods beginning after December 15, 2019. Implementation of this statement did not have a significant impact on the District's financial statements.

GASB Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation

Recently Issued Accounting Pronouncements Not Yet Adopted

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (continued)

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Management has not yet determined the potential impact on the District's financial statements.

Investments

Investments are reported at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value). Contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP Plan. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board determines the valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See Note 5 and Note 6 for discussion of fair value and contract value measurements, respectively.

Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2020 through the date of July 28, 2021, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2020, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 637,347
Total deposits	<u>\$ 637,347</u>
 Reconciliation to the Governmental Funds	
Governmental Funds	\$ 637,347
Total	<u>\$ 637,347</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 3: CASH (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, the District's bank balance of \$671,766 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>421,766</u>
Total	<u>\$ 671,766</u>

NOTE 4: ACCOUNTS RECEIVABLE

As of December 31, 2020, accounts receivables consisted of the following:

Uniform fire safety act	\$ 20,923
Local fees	<u>15,993</u>
Total	<u>\$ 36,916</u>

NOTE 5: INVESTMENTS HELD AT FAIR VALUE

Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. All of the District's investments are held in the name of the District.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or 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 that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the District or bonds or other obligations of the local unit or units within which the District is located;

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

Investment Credit Risk (continued)

- 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 Treasury for investment by the District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

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

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

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

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Certificates of Deposit – Valued at the net asset value (NAV) at year end when the NAV is valued at \$1 per unit.

Registered Investment Companies – Investments in registered investment companies consist of shares of mutual funds that are valued at quoted market prices which represent the NAV of shares held by the LOSAP Plan at year-end.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

Fair Value Measurement (continued)

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

The following table sets forth by level, within the value hierarchy, the District's investments at fair value at December 31, 2020.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Certificates of deposit	\$ 778,647	\$ -	\$ -	\$ 778,647
Registered investment companies	<u>394,612</u>	<u>-</u>	<u>-</u>	<u>394,612</u>
Total investments held at fair value	<u>\$ 1,173,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,173,259</u>

NOTE 6: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with Lincoln Financial (Lincoln) totaling \$116,330 as of December 31, 2020. Lincoln maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer's ability to meet its financial obligations.

The fixed account continues in-force until they are terminated by Lincoln or the LOSAP plan. For this reason, such contracts are referred to as "evergreen" contracts and do not define a maturity date. No events are probable of occurring might limit the ability of the LOSAP plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value (see Note 2: *Investments*).

NOTE 7: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for 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 firefighting 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. Capital assets consisted of the following at December 31, 2020:

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 7: CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets that are not being depreciated:				
Building in progress	\$ 690,703	\$ -	\$ (690,703)	\$ -
Total capital assets that are not being depreciated	<u>690,703</u>	<u>-</u>	<u>(690,703)</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and improvements	2,577,884	849,862	-	3,427,746
Equipment	1,012,671	57,416	-	1,070,087
Vehicles and apparatus	<u>2,713,578</u>	<u>-</u>	<u>-</u>	<u>2,713,578</u>
Total capital assets being depreciated	<u>6,304,133</u>	<u>907,278</u>	<u>-</u>	<u>7,211,411</u>
Less: accumulated depreciation:				
Buildings and improvements	(2,244,546)	(79,804)	-	(2,324,350)
Equipment	(615,336)	(100,459)	-	(715,795)
Vehicles and apparatus	<u>(1,580,597)</u>	<u>(102,794)</u>	<u>-</u>	<u>(1,683,391)</u>
Total accumulated depreciation	<u>(4,440,479)</u>	<u>(283,057)</u>	<u>-</u>	<u>(4,723,536)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>1,863,654</u>	<u>624,221</u>	<u>-</u>	<u>2,487,875</u>
Total capital assets	<u>\$ 2,554,357</u>	<u>\$ 624,221</u>	<u>\$ (690,703)</u>	<u>\$ 2,487,875</u>

NOTE 8: LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2020 the following changes occurred in liabilities reported in long-term obligations:

	<u>Beginning Balance</u>	<u>Accrued/ increases</u>	<u>(Retired)/ (decreases)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated absences	\$ 82,334	\$ 3,775	\$ -	\$ 86,109	\$ -
Net pension liability	1,425,174	271,956	-	1,697,130	-
Investment in length of service awards program payable	<u>478,673</u>	<u>123,837</u>	<u>(39,569)</u>	<u>562,941</u>	<u>-</u>
Total	<u>\$ 1,986,181</u>	<u>\$ 399,568</u>	<u>\$ (39,569)</u>	<u>\$ 2,346,180</u>	<u>\$ -</u>

Compensated Absences

In accordance with GASB No. 16 *Accounting for Compensated Absences* and National Council on Governmental Accounting (NCGA) Statement No. 1 *Governmental Accounting and Financial Reporting Principles*, the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2020, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consist of compensated absences totaling \$86,109.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS

Police and Firemen's Retirement System (PFRS)

Plan Description

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

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

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years.

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

Basis of Presentation

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

Contributions

The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Contributions (continued)

For fiscal year 2020, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2020, the District's contractually required contributions to PFRS plan was \$146,732.

Net Pension Liability and Pension Expense

At December 31, 2020 the District's proportionate share of the PFRS net pension liability was \$1,697,130. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2019, to the measurement date of June 30, 2020. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2020. The District's proportion measured as of June 30, 2020, was 0.0131343384%, which was an increase of 0.0014886829% from its proportion measured as of June 30, 2019.

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred outflows of resources	\$ 501,380	\$ 366,531
Deferred inflows of resources	489,039	524,140
Net pension liability	1,697,130	1,425,174
District's portion of the plan's total net pension liability	0.01313%	0.01165%

Pension Expense and Deferred Outflows/Inflows of Resources

At December 31, 2020, the District's proportionate share of the PFRS benefit, calculated by the plan as of the June 30, 2020 measurement date was \$248,740. The District had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Pension Expense and Deferred Outflows/Inflows of Resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,110	\$ 6,091
Changes of assumptions	4,271	454,990
Net difference between projected and actual earnings on pension plan investments	99,551	-
Changes in proportion and differences between the District's contributions and proportion share of contributions	<u>380,488</u>	<u>27,958</u>
	<u>\$ 501,380</u>	<u>\$ 489,039</u>

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
June 30, 2019	-	5.92
June 30, 2020	5.90	-
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
June 30, 2019	-	5.92
June 30, 2020	-	5.90

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Pension Expense and Deferred Outflows/Inflows of Resources (continued)

Net difference between projected and actual earnings on pension plan investments

Year of pension plan deferral:

June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-

Changes in proportion and differences between The District's contributions and proportionate share of contributions

Year of Pension Plan Deferral:

June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73
June 30, 2019	5.92	5.92
June 30, 2020	5.90	5.90

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PFRS that will be recognized in future periods:

Year Ending December 31,	<u>Amount</u>
2021	\$ (1,021)
2022	(1,879)
2023	14,627
2024	26,224
2025	<u>(25,610)</u>
Total	<u>\$ 12,341</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Special Funding Situation

Under *N.J.S.A. 43:16A-15*, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation. Additionally, the State's proportionate share of the PFRS net pension liability attributable to the District is \$263,387 as of December 31, 2020. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2019, to the measurement date of June 30, 2020. The State's proportion of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2020 was 0.0131343384%, %, which was an increase of 0.0014886829%, from its proportion measured as of June 30, 2019, which is the same proportion as the District's. At December 31, 2020, the District's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

District's proportional share of net pension liability	\$	1,697,130
State of New Jersey's proportionate share of net pension liability associated with the District		<u>263,387</u>
	\$	<u>1,960,517</u>

At December 31, 2020, the State's proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2020 measurement date was \$29,850.

Actuarial Assumptions

The total pension asset (liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation:		
Price		2.75%
Wage		3.25%
Salary increases:		
Through all future years		3.25% - 15.25%
Investment rate of return		7.00%

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Actuarial Assumptions (continued)

Mortality rate table	Pub-2010 Safety Employee mortality table with fully generational improvement projections from the central year using Scale MP-2020
----------------------	--

Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2013 - June 30, 2018
--	------------------------------

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For healthy annuitants, post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries, the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2020 are summarized in the following table:

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Credit	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	<u>3.00%</u>	3.40%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1 % Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District’s proportionate share of the net pension liability	\$ 2,256,834	\$ 1,697,130	\$ 1,232,253
State of New Jersey’s proportionate share of net pension liability associated with the District	<u>350,250</u>	<u>263,387</u>	<u>191,240</u>
	<u>\$ 2,607,084</u>	<u>\$ 1,960,517</u>	<u>\$ 1,423,493</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Related Party Investments

The Division of Pensions and Benefits does not invest in securities issued by the District.

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM

The District's length of service awards program (LOSAP), which is reported in the District's general fund, was created by a resolution pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The voters of the District approved the adoption of the LOSAP at the general election held on February 19, 2005, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2006. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel. The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents the Township of Howell come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of a LOSAP plan created by that governing body. Participants should refer to the LOSAP Plan agreement for a more complete description of the LOSAP Plan's provisions.

Contributions

If an active member meets the year of active service requirement, a LOSAP Plan must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per initial plan year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (*N.J.S.A. 40A:14-185(f)*). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,624 for the year ended December 31, 2020, per eligible volunteer, into the LOSAP Plan. During the year ended December 31, 2020, the District contributed a total of \$51,999 to the LOSAP Plan. Participants direct the investment of the contributions into various investment options offered by the LOSAP Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the LOSAP Plan. The types of investment options, and the administering of such investments, rests solely with the LOSAP Plan administrator.

Participant Accounts

Each participant's account is credited with the District's contribution and LOSAP Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by Lincoln (Plan Administrator), as an approved LOSAP provide a third-party administrator for the exclusive benefit of the LOSAP Plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the LOSAP Plan Administrator. The District's practical involvement in administering the LOSAP Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the LOSAP Plan Administrator.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Vesting

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the Plan Administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2020, \$38,594 were made to vested participants.

Forfeited Accounts

There were no forfeitures during the year ended December 31, 2020.

Investments

The investments of the LOSAP reported on the statement of fiduciary net position are recorded at fair value and contract value as described in Note 2: *Investments*.

Plan Information

Additional information about the District's LOSAP can be obtained by contacting the LOSAP Plan Administrator.

NOTE 11: FUNDING

The activities of the District are primarily funded by the striking of the fire tax on the property owners of the District, as provided for by the state statute. For the year ended December 31, 2020, the fire tax rate on the District was approximately \$.076 per \$100 of assessed valuation. The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a Supplemental Fire Services Grant of \$4,342.

NOTE 12: OTHER RECEIVABLES AND PAYABLES

Other receivable and payables are interfunds whose purpose is for short-term borrowing. As of December 31, 2020, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 484,387	\$ -
Capital projects	-	484,387
Total	<u>\$ 484,387</u>	<u>\$ 484,387</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 12: OTHER RECEIVABLES AND PAYABLES (continued)

Other receivables and 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. As previously mentioned, these amounts are eliminated in the governmental columns of the district wide statement of net position.

NOTE 13: FUND BALANCE

General Fund – Of the \$1,448,192 General Fund balance at December 31, 2020, \$562,941 is restricted for length of service award program, \$471,815 is assigned for subsequent years expenditures, \$4,279 is assigned for other purposes and \$409,157 is unassigned.

Capital Projects Fund – Of the \$294,260 Capital Projects Fund balance at December 31, 2020, \$294,260 is restricted for Capital.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

NOTE 14: RISKS, CONCENTRATIONS AND UNCERTANTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout New Jersey and the United States as a whole. In light of the uncertainty as to the severity and duration of the pandemic and actions that may be taken by governmental authorities, the impact on the District's revenue, cash flows, and financial position is uncertain at this time.

NOTE 15: DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, district wide statement of net position, a deficit in unrestricted net position of \$(863,174) existed as of December 31, 2020 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, district wide statement of net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. If this was not required, the unrestricted net position before the net pension liability obligation and deferred outflows and inflows related to pensions would be \$821,615 as of December 31, 2020. This deficit in unrestricted net position does not indicate that the District is facing financial difficulties.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Budgetary Comparison Schedule
For the year ended December 31, 2020

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 500	\$ 500	\$ 16,350	\$ 15,850
Other revenue	-	-	9,053	9,053
Total miscellaneous revenues	<u>500</u>	<u>500</u>	<u>25,403</u>	<u>24,903</u>
Operating grant revenue:				
Supplemental fire service grant	4,342	4,342	4,342	-
Total operating grant revenue	<u>4,342</u>	<u>4,342</u>	<u>4,342</u>	<u>-</u>
Revenues offset with appropriations:				
Uniform fire safety act	35,000	35,000	34,930	(70)
Total revenues offset with appropriations	<u>35,000</u>	<u>35,000</u>	<u>34,930</u>	<u>(70)</u>
Total revenues	<u>39,842</u>	<u>39,842</u>	<u>64,675</u>	<u>24,833</u>
Amount raised by taxation to support district budget	1,748,247	1,748,247	1,748,247	-
Total anticipated revenues	<u>1,788,089</u>	<u>1,788,089</u>	<u>1,812,922</u>	<u>24,833</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	20,000	20,000	20,000	-
Other expenditures:				
Elections	5,000	5,000	4,880	120
Office expenses	13,000	16,000	9,876	6,124
Paying Agent fees	3,300	1,800	-	1,800
Professional fees	110,000	69,000	73,060	(4,060)
Total administration	<u>151,300</u>	<u>111,800</u>	<u>107,816</u>	<u>3,984</u>
Cost of operations and maintenance:				
Salaries and wages	639,843	660,745	649,117	11,628
Fringe benefits	352,946	377,946	377,447	499
Other expenditures:				
Advertising	2,000	700	671	29
Contingency	2,000	-	-	-
Emergency first aid equipment	5,000	5,100	5,133	(33)
Fire prevention	7,000	1,000	676	324
Fire service agreement	50,000	50,000	50,000	-
Firefighter expenses	15,000	17,710	27,511	(9,801)
Gear	30,000	9,000	8,644	356
Insurance	70,000	70,000	65,877	4,123
Maintenance and repairs	120,000	142,000	139,221	2,779
Other non-bondable assets	58,000	88,688	88,049	639
Rental charges	70,000	65,500	65,415	85
SCBA	10,000	15,000	14,795	205
Supplies	25,000	22,500	22,362	138
Training and education	25,000	15,000	14,908	92
Utilities	70,000	45,700	45,641	59
Total cost of operations and maintenance	<u>1,551,789</u>	<u>1,586,589</u>	<u>1,575,467</u>	<u>11,122</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2020

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Operating appropriations offset with revenues:				
Salaries and wages	25,000	25,000	25,000	-
Fringe benefits	2,250	2,250	-	2,250
Other expenditures:				
Other expenses	7,750	11,750	11,066	684
Total operating appropriations offset with revenues	35,000	39,000	36,066	2,934
Length of service award program	50,000	50,700	51,999	(1,299)
Capital appropriations	-	-	144,760	(144,760)
Total operating appropriations	1,788,089	1,788,089	1,916,108	(128,019)
Excess (efficiency) of revenues over (under) expenditures	-	-	(103,186)	152,852
Fund balance, January 1	1,282,697	1,282,697	1,282,697	-
Fund balance, December 31	<u>\$ 1,282,697</u>	<u>\$ 1,282,697</u>	<u>\$ 1,179,511</u>	<u>\$ 152,852</u>

RECAPITULATION OF FUND BALANCE:

Restricted fund balance:			
Capital			\$ 294,260
Assigned fund balance:			
Subsequent year's expenditures			471,815
Other purposes			4,279
Unassigned fund balance			409,157
Total - budgetary basis			<u>1,179,511</u>
Reconciliation to governmental fund statements (GAAP):			
Length of service award program investment balance not recognized on the budgetary basis			562,941
Total fund balance per governmental funds (GAAP)			<u>\$ 1,742,452</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2020

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1):	\$ 1,812,922
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Appreciation in the value of length of service awards program	<u>71,838</u>
Total Revenues as Reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,884,760</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,916,108
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the LOSAP Plan.	
Length of service awards program contribution	(51,999)
Administrative fees	975
Participant withdrawals	<u>38,594</u>
Total Expenditures as Reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,903,678</u>

JACKSON BOARD OF FIRE COMMISSIONERS NO. 4
Schedule of the District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System
Last Eight Fiscal Years *

	Measurement Date Ended June 30,							
	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.01313%	0.01165%	0.01191%	0.01091%	0.00890%	0.00744%	0.00721%	0.00724%
District's proportionate share of the net pension liability (asset)	\$ 1,697,130	\$ 1,425,174	\$ 1,611,940	\$ 1,683,883	\$ 1,699,839	\$ 1,239,980	\$ 907,119	\$ 962,868
State's proportionate share of the net pension liability associated with the District (asset)	263,387	225,038	218,955	188,609	142,744	108,742	97,681	89,751
Total	\$ 1,960,517	\$ 1,650,212	\$ 1,830,895	\$ 1,872,492	\$ 1,842,583	\$ 1,348,722	\$ 1,004,800	\$ 1,052,619
District's covered-employee payroll	\$ 527,788	\$ 461,223	\$ 411,310	\$ 387,964	\$ 339,462	\$ 328,454	\$ 328,454	\$ 273,424
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	322%	309.00%	391.90%	434.03%	500.75%	377.52%	276.18%	352.15%
Plan fiduciary net position as a percentage of the total pension liability	63.52%	65.00%	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%

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

JACKSON BOARD OF FIRE COMMISSIONERS NO. 4
Schedule of District Contributions
Police and Firemen's Retirement System
Last Eight Fiscal Years *

	Year Ended December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 146,732	\$ 117,634	\$ 116,641	\$ 96,532	\$ 72,553	\$ 60,512	\$ 55,388	\$ 52,842
Contributions in relation to the contractually required contribution	(146,732)	(117,634)	(116,641)	(96,532)	(72,553)	(60,512)	(55,388)	(52,842)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 543,622	\$ 527,788	\$ 461,223	\$ 411,310	\$ 387,964	\$ 339,462	\$ 339,462	\$ 328,454
Contributions as a percentage of covered-employee payroll	26.99%	22.29%	25.29%	23.47%	18.70%	17.83%	16.32%	16.09%

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

JACKSON BOARD OF FIRE COMMISSIONERS NO. 4
Notes to the Required Supplementary Information
December 31, 2020

Police and Firemen's' Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 6.85% as of June 30, 2019, to 7.00% as of June 30, 2020.

Board of Fire Commissioners
Fire District No. 4 of the Township of Jackson
County of Ocean
Jackson Township, New Jersey

We have audited the basic financial statements of the Jackson Board of Fire Commissioners No. 4 (hereafter referred to as the District), County of Ocean, State of New Jersey for the year ended December 31, 2020. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECCOMEDATIONS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, from January 1, 2020 through June 30, 2020 and \$44,000 from July 1, 2020 through December 31, 2020, except by contract or agreement. The Disgtrict has a qualified purchasing agent on staff.

It is pointed out that the Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results or our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$6,000 from January 1, 2020 through June 30, 2020 and then \$6,600 from July 1, 2020 through December 31, 2020 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was made.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Capital Assets

The Capital Asset subledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the District's operating and capital budgets be approved and adopted for each fiscal year. The District approved its operating budget on November 14, 2019 and adopted its operating budget on December 12, 2019.

Current Year's Findings

There were no current year findings.

Follow-Up of Prior Year's Findings

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings.

Acknowledgment

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 28, 2021
Lakewood, New Jersey