

**TOWNSHIP OF
MOUNT LAUREL
FIRE DISTRICT No.1**

**MOUNT LAUREL,
NEW JERSEY
BURLINGTON COUNTY**



**REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2017**

**FIRE DISTRICT NO. 1
TOWNSHIP OF MOUNT LAUREL, NEW JERSEY**

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TOWNSHIP OF MOUNT LAUREL, NEW JERSEY**

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**FIRE DISTRICT NO. 1
TOWNSHIP OF MOUNT LAUREL, NEW JERSEY
Roster of Officials and Surety Bonds**

<u>Title</u>	<u>Name</u>	<u>Amount of Surety Bond</u>
Board of Fire Commissioners		
Chairman	David Ridenour	\$ 1,000,000.00 (A)
Vice Chairman	Robert Shestack	1,000,000.00 (A)
Treasurer	Phil Roura	1,000,000.00 (A)
Clerk	Richard Hamilton	1,000,000.00 (A)
Deputy Clerk / Deputy Treasurer	John Cornue	1,000,000.00 (A)
Other Officials		
Chief	John Colucci	1,000,000.00 (A)
Deputy Chief / Administrator (July 1 - Dec. 31)	Christopher Burnett	1,000,000.00 (A)
Administrator (Jan. 1 - June 30)	Scott Jones	1,000,000.00 (A)

(A) First Responders Joint Insurance Fund provides blanket employee dishonesty coverage for the limited amount of \$50,000.00 and the Municipal Excess Liability Joint Insurance Fund provides an additional \$950,000.00 in employee dishonesty coverage.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1
Township of Mount Laurel
Mount Laurel, New Jersey 08054

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Township of Mount Laurel Fire District No. 1, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fire District'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 Fire District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of the Township of Mount Laurel Fire District No. 1, in the County of Burlington, State of New Jersey, as of December 31, 2017, 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.

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Other Matters

Required Supplementary Information

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

Other Information

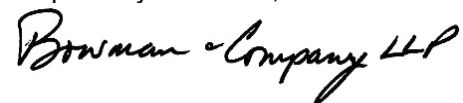
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Mount Laurel Fire District No. 1's basic financial statements. The accompanying major fund supporting statements and schedules are presented for purposes of additional analysis, as required by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

The accompanying major fund supporting statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying major fund supporting statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018 on our consideration of the Township of Mount Laurel Fire District No. 1'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 Township of Mount Laurel Fire District No. 1's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 25, 2018

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

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1
Township of Mount Laurel
Mount Laurel, New Jersey 08054

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Township of Mount Laurel Fire District No. 1, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated June 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Mount Laurel Fire District No. 1'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 Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Mount Laurel Fire District No. 1'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Mount Laurel Fire District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 25, 2018

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1

Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

As management of the Township of Mount Laurel Fire District No. 1, we offer readers of the Township of Mount Laurel Fire District No. 1's financial statements this narrative overview and analysis of the financial activities of the Township of Mount Laurel Fire District No. 1 for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Township of Mount Laurel Fire District No. 1's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Township of Mount Laurel Fire District No. 1's financial performance.

Financial Highlights

- The liabilities and deferred inflows of resources of the Township of Mount Laurel Fire District No. 1 exceeded its assets and deferred outflows of resources at the close of the most recent year and resulted in a deficit balance of \$11,174,653.99 (net position).
- As of the close of the current year, the Township of Mount Laurel Fire District No. 1's governmental funds reported combined ending fund balances of \$3,166,664.49, an increase of \$287,823.91 in comparison with the prior year. The majority of the increase being attributable to the results of general operations.
- At the end of the current year, unassigned fund balance for the general fund was \$1,961,144.42, an increase of \$347,167.42 from that of the prior year, primarily due to less unassigned fund balance being utilized in the subsequent year's budget.
- The Township of Mount Laurel Fire District No. 1's total debt decreased by \$695,584.08 as a result of the scheduled payments on outstanding capital leases and bond obligations.

Overview of the Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information.

Government-wide financial statements. The first two statements are government-wide financial statements that provide both short-term and long-term information about the Fire District's overall financial status.

The Statement of Net Position presents information on all of the Township of Mount Laurel Fire District No. 1's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township of Mount Laurel Fire District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the Township of Mount Laurel Fire District No. 1's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Township of Mount Laurel Fire District No. 1 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Township of Mount Laurel Fire District No. 1 include fire-fighting and first responder emergency medical services, which are provided to the citizens of the Township of Mount Laurel.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1

Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited) (Cont'd)

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. The Township of Mount Laurel Fire District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fire District maintains two fund types, governmental and fiduciary.

Governmental Funds. The Township of Mount Laurel Fire District No. 1's operational activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township of Mount Laurel Fire District No. 1's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting and first responder emergency medical services operations.

The Township of Mount Laurel Fire District No. 1 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund and debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The *fiduciary fund* is used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township of Mount Laurel Fire District No. 1, liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent year.

The largest portion of the Township of Mount Laurel Fire District No. 1's net position reflects its investment in capital assets (i.e., land, buildings, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding and restricted funds for future capital outlay. The Township of Mount Laurel Fire District No. 1 uses these assets to provide fire-fighting and first responder emergency medical services to the citizens of the Township of Mount Laurel; consequently, these assets are not available for future spending. Although the Township of Mount Laurel Fire District No. 1's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited) (Cont'd)

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1'S NET POSITION
DECEMBER 31,

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 3,336,207.70	\$ 2,881,522.57
Capital Assets	<u>9,710,597.73</u>	<u>10,009,002.32</u>
Total Assets	<u>13,046,805.43</u>	<u>12,890,524.89</u>
Deferred Outflows of Resources	<u>5,157,197.26</u>	<u>7,262,096.60</u>
Long-term Liabilities Outstanding	23,382,448.95	28,007,707.50
Other Liabilities	<u>2,520,340.73</u>	<u>2,201,303.10</u>
Total Liabilities	<u>25,902,789.68</u>	<u>30,209,010.60</u>
Deferred Inflows of Resources	<u>3,475,867.00</u>	<u>478,082.00</u>
Net Position:		
Net Investment in Capital Assets	4,773,327.01	4,377,656.41
Restricted	605,441.38	490,097.21
Unrestricted (Deficit)	<u>(16,553,422.38)</u>	<u>(15,402,224.73)</u>
Total Net Position (Deficit)	<u>\$ (11,174,653.99)</u>	<u>\$ (10,534,471.11)</u>

A portion of the Township of Mount Laurel Fire District No. 1's net position, restricted, represents resources that are subject to external restrictions on how they may be used.

In total, assets of governmental activities increased by \$156,280.54 mainly due to the results of operations and an increase in restricted cash for future capital outlays. Cash and cash equivalents, including restricted cash at December 31, 2016 and 2017, were \$2,881,522.57 and \$3,336,207.70 respectively.

Governmental Activities. The Statement of Activities shows the cost of the governmental activities' program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

Property taxes constituted 92.0% of revenues for governmental activities for the Fire District for the year 2017.

Cost of Operations and Maintenance operations comprised 82.3% of expenses, Administration operations comprised 9.8% of expenses, Bureau of Fire Prevention operations comprised 6.1% of expenses, Interest on Long-Term Debt comprised 1.48% of expenses and the Length of Service Awards Program was 0.40% of expenses during 2017.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited) (Cont'd)

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1'S STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 1,035,329.50	\$ 1,141,078.56
Cost of Operations and Maintenance	8,732,135.05	8,957,885.94
Operating Appropriations Offset with Revenues	643,076.27	673,950.40
Length of Service Awards Program	42,230.00	43,400.00
Interest on Long-Term Debt	157,438.28	176,522.03
	<u>10,610,209.10</u>	<u>10,992,836.93</u>
 Total Program Expenses		
Program Revenues:		
Charges for Services	491,606.39	476,115.63
Operating Grants and Contributions	245,082.00	232,578.00
	<u>736,688.39</u>	<u>708,693.63</u>
 Net Program Expenses	<u>9,873,520.71</u>	<u>10,284,143.30</u>
 General Revenues		
Taxes:		
Property Taxes, Levied for General Purposes	8,315,931.04	7,404,813.03
Taxes Levied for debt Service	855,843.00	874,743.00
Unrestricted Investment Earnings	4,888.37	1,965.04
Unrestricted Miscellaneous Income	56,675.42	27,553.13
	<u>9,233,337.83</u>	<u>8,309,074.20</u>
 Total General Revenues		
Change in Net Position	(640,182.88)	(1,975,069.10)
 Net Position (Deficit), January 1	<u>(10,534,471.11)</u>	<u>(8,559,402.01)</u>
 Net Position (Deficit), December 31	<u>\$ (11,174,653.99)</u>	<u>\$ (10,534,471.11)</u>

Financial Analysis of the Government's Funds

As stated earlier, the Township of Mount Laurel Fire District No. 1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited) (Cont'd)

Financial Analysis of the Government's Funds (Cont'd)

Governmental Fund. The focus of the Township of Mount Laurel Fire District No. 1's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township of Mount Laurel Fire District No. 1's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Township of Mount Laurel Fire District No. 1's governmental funds reported combining ending fund balances of \$3,166,664.49, an increase of \$287,823.91 in comparison with the prior year.

The Township of Mount Laurel Fire District No. 1's general fund balance increased by \$372,420.09 during the current year which resulted primarily from conservative spending by the Fire District during the year.

The Capital Projects fund had an ending fund balance of \$203,916.90 which represents bond proceeds received in 2014 for the future repairs and reconstruction at various fire stations and the expenditures made during 2015, 2016, and 2017 for those renovations.

There is no fund balance in the special revenue fund or the debt service fund at December 31, 2017.

General Fund Budgetary Highlights

During the course of the 2017 year, the Township of Mount Laurel Fire District No. 1 modified its general fund budget in accordance with statutes. The net change in the total budget modification primarily resulted from the rollover of the prior year's encumbrances.

The final budgetary basis revenue estimate was \$8,764,441.00 which is the same as the original budgeted estimate.

During the year 2017, the Township of Mount Laurel Fire District No. 1 budgeted \$8,315,931.00 and \$11,723.00 for property taxes (local tax levy) and state aid revenues (supplemental fire services grant), respectively. Property taxes in the amount of \$855,843.00 were budgeted for the Debt Service Fund.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited) (Cont'd)

Capital Asset and Debt Administration

Capital Assets. The Township of Mount Laurel Fire District No. 1's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$9,710,597.73 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment. The overall increase in the Township of Mount Laurel Fire District No. 1's investment in capital assets for the current year was attributable to construction in progress resultant of the fire station repairs and renovations.

At the end of the 2017 year, the Township of Mount Laurel Fire District No. 1 had \$16,027,803.06 invested in land, construction in progress, buildings and improvements, vehicles and equipment prior to the reduction for accumulated depreciation of \$6,317,205.33.

Major capital asset events during the year include the following:

- The Township of Mount Laurel Fire District No. 1 added \$84,596.18 in construction in progress.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1'S CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31,

	<u>2017</u>	<u>2016</u>
Land	\$ 500,000.00	\$ 500,000.00
Construction in Progress	2,746,083.10	2,661,486.92
Buildings and Improvements	4,208,019.39	4,441,004.67
Vehicles	2,121,265.25	2,250,143.09
Equipment	<u>135,229.99</u>	<u>156,367.64</u>
Total	<u>\$ 9,710,597.73</u>	<u>\$ 10,009,002.32</u>

Additional information on the Township of Mount Laurel Fire District No. 1's capital assets can be found in Note 5.

Long-term Debt. At the end of the current year, the Township of Mount Laurel Fire District No. 1 had total bonded debt outstanding of \$4,085,000.00. The 2017 adopted budget has an appropriation of \$195,584.08 representing the payment of the annual principal on capital leases and \$500,000.00 as payment on bonded debt (refer to audit exhibit I-1 Schedule of Serial Bonds and I-2 Schedule of Capital Leases, for more detail).

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT No. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited) (Cont'd)

Economic Factors and Next Year's Budget

For the 2017 year, the Township of Mount Laurel Fire District No. 1 was able to sustain its budget through the township tax levy, state aid, and miscellaneous revenue sources. Approximately 92.0% of total revenue is from local tax levy, while 8.0% of the Township of Mount Laurel Fire District No. 1's revenue is from other sources of miscellaneous revenue. The 2018 budget was adopted on January 15, 2018 by the Board of Fire Commissioners. The budget was approved by the voters at the annual election on February 17, 2018.

Requests for Information

This financial report is designed to provide a general overview of the Township of Mount Laurel Fire District No. 1's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Christopher Burnett, Deputy Chief / Administrator of the Township of Mount Laurel Fire District No. 1, 69 Elbo Lane, Mount Laurel, New Jersey 08054. All requests should be made, in writing, to the above address or by e-mail at sjones@mountlaurelfire.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Statement of Net Position
December 31, 2017

ASSETS:

Cash and Cash Equivalents	\$ 2,730,766.32
Restricted Assets:	
Restricted Cash and Cash Equivalents	605,441.38
Capital Assets, net (Note 5)	<u>9,710,597.73</u>
Total Assets	<u>13,046,805.43</u>

DEFERRED OUTFLOWS OF RESOURCES:

Defeasance of Debt	31,171.26
Related to Pensions (Note 7)	<u>5,126,026.00</u>
Total Deferred Outflows of Resources	<u>5,157,197.26</u>

LIABILITIES:

Accounts Payable:	
Other	169,543.21
Pensions	1,039,507.00
Accrued Liabilities:	
Interest Payable	33,398.32
Pensions	519,754.00
Noncurrent Liabilities (Note 6):	
Due within One Year	758,138.20
Due beyond One Year	<u>23,382,448.95</u>
Total Liabilities	<u>25,902,789.68</u>

DEFERRED INFLOWS OF RESOURCES:

Related to Pensions (Note 7)	<u>3,475,867.00</u>
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NET POSITION:

Net Investment in Capital Assets	4,773,327.01
Restricted for:	
Capital Projects	603,916.90
Other Purposes	1,524.48
Unrestricted (Deficit)	<u>(16,553,422.38)</u>
Total Net Position (Deficit)	<u>\$ (11,174,653.99)</u>

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

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1

Statement of Activities

For the Year Ended December 31, 2017

Expenses:	
Operating Appropriations:	
Administration	\$ 1,035,329.50
Cost of Operations and Maintenance	8,732,135.05
Operating Appropriations Offset with Revenues	643,076.27
Length of Service Awards Program (LOSAP)	42,230.00
Interest on Long-Term Debt	<u>157,438.28</u>
Total Program Expenses	<u>10,610,209.10</u>
Program Revenues:	
Charges for Services	491,606.39
Operating Grants and Contributions	<u>245,082.00</u>
Net Program Expenses	<u>9,873,520.71</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	8,315,931.04
Taxes Levied for Debt Service	855,843.00
Unrestricted Investment Earnings	4,888.37
Unrestricted Miscellaneous Income	<u>56,675.42</u>
Total General Revenues	<u>9,233,337.83</u>
Change in Net Position	(640,182.88)
Net Position (Deficit), January 1	<u>(10,534,471.11)</u>
Net Position (Deficit), December 31	<u><u>\$ (11,174,653.99)</u></u>

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

FUND FINANCIAL STATEMENTS

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1

Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 3,136,387.12		\$ 199,820.58		\$ 3,336,207.70
Due from General Fund			4,096.32		4,096.32
Total Assets	\$ 3,136,387.12	-	\$ 203,916.90	-	\$ 3,340,304.02
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 169,543.21				\$ 169,543.21
Due to Capital Projects Fund	4,096.32				4,096.32
Total Liabilities	173,639.53	-	-	-	173,639.53
Fund Balances:					
Restricted:					
Capital Maintenance Bond Account	1,524.48				1,524.48
Capital Projects (Future Capital Outlay)	400,000.00				400,000.00
Capital Projects			\$ 203,916.90		203,916.90
Assigned:					
Subsequent Year's Expenditures	448,901.00				448,901.00
Other Purposes	151,177.69				151,177.69
Unassigned	1,961,144.42				1,961,144.42
Total Fund Balances	2,962,747.59	-	203,916.90	-	3,166,664.49
Total Liabilities and Fund Balances	\$ 3,136,387.12	-	\$ 203,916.90	-	

(Continued)

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1

Balance Sheet
Governmental Funds
December 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$16,027,803.06, and the accumulated depreciation is \$6,317,205.33.					\$ 9,710,597.73
Deferred outflows and deferred inflows related to pensions represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore, such amounts are not reported in the fund financial statements.					1,650,159.00
Accounts payable and accrued expenses related to pensions are not liquidated with current financial resources; therefore, such amounts are not recorded in the fund financial statements.					(1,559,261.00)
The difference between the reacquisition price and the net carrying value of old debt (bonds payable) are reported as a deferred outflow of resources.					31,171.26
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.					(33,398.32)
Long-term liabilities, including bonds payable and pensions, are not due and payable in the current period and therefore are not reported as liabilities in the funds.					<u>(24,140,587.15)</u>
Net position of governmental activities					<u>\$ (11,174,653.99)</u>

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

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Miscellaneous Anticipated Revenues	\$ 38,185.22				\$ 38,185.22
Operating Grant Revenue	11,728.00				11,728.00
Miscellaneous Revenues Offset with Appropriations	491,606.39				491,606.39
Amount to be Raised by Taxation to Support the District Budget	8,315,931.04			\$ 855,843.00	9,171,774.04
Non-Budgetary Revenues	23,378.57				23,378.57
Total Revenues	8,880,829.22	-	-	855,843.00	9,736,672.22
EXPENDITURES:					
Operating Appropriations:					
Administration	848,340.48				848,340.48
Cost of Operations and Maintenance	7,254,286.56				7,254,286.56
Operating Appropriations Offset with Revenues	363,552.09				363,552.09
Length of Service Awards Program (LOSAP)	42,230.00				42,230.00
Capital Appropriations			\$ 84,596.18		84,596.18
Debt Service:					
Principal				695,584.08	695,584.08
Interest and Other Charges				160,258.92	160,258.92
Total Expenditures	8,508,409.13	-	84,596.18	855,843.00	9,448,848.31
Excess (Deficiency) of Revenues over Expenditures	372,420.09	-	(84,596.18)	-	287,823.91
Fund Balance, January 1	2,590,327.50		288,513.08		2,878,840.58
Fund Balance, December 31	\$ 2,962,747.59	-	\$ 203,916.90	-	\$ 3,166,664.49

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

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 287,823.91
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Revenue recognized from non-employer special funding situations with pension plans (long-term liability) is not recognized as revenue in the fund financial statements but is recognized as revenue from contributions in the statement of activities.	233,354.00
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	\$ (383,000.77)
Capital Appropriations	<u>84,596.18</u>
	(298,404.59)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	695,584.08
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	(1,508.89)
In the statement of activities, certain operating expenses, (e.g., compensated absences, pension, interest on debt), are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).	<u>(1,557,031.39)</u>
Change in Net Position of Governmental Activities	<u>\$ (640,182.88)</u>

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

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Fiduciary Fund
Private-Purpose Trust Fund
Statement of Fiduciary Net Position
December 31, 2017

	Length of Service Awards <u>Program</u>
ASSETS:	
Investments	\$ 563,292.10
Receivable:	
Fire District's Contributions	<u>42,230.00</u>
Total Assets	<u>605,522.10</u>
NET POSITION:	
Held in Trust for Plan Participants	<u><u>\$ 605,522.10</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Fiduciary Fund
 Private-Purpose Trust Fund
 Statement of Changes in Fiduciary Fund Net Position
 For the Year Ended December 31, 2017

	<u>Length of Service Awards Program</u>
ADDITIONS:	
Contributions:	
Fire District's Contributions	<u>\$ 42,230.00</u>
Investment Earnings:	
Net Increase (Decrease) in the Fair Value of Investments	<u>82,008.57</u>
Net Investment Earnings	<u>82,008.57</u>
Total Additions	<u>124,238.57</u>
DEDUCTIONS:	
Benefits Paid to Participants	29,600.12
Administration Expenses	<u>2,003.31</u>
Total Deductions	<u>31,603.43</u>
Change in Net Position	92,635.14
Net Position, January 1	<u>512,886.96</u>
Net Position, December 31	<u><u>\$ 605,522.10</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Notes to Financial Statements
For the Year Ended December 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Mount Laurel Fire District No. 1 (the "Fire District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The Fire District is a political subdivision of the Township of Mount Laurel (the "Township"), Burlington County, New Jersey. The Township is comprised of an area of approximately 21.971 square miles. It is bounded by Moorestown, Maple Shade and Willingboro to the north, Cherry Hill to the west, Evesham Township and Medford to the south and Westampton, Hainesport and Lumberton on the east. As of the 2010 United States Census, the Township's population was 41,864. The Fire District was formed in August of 1983 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location. The Fire District has one fire company within its jurisdiction, the Fellowship Fire Company.

The primary criterion for including activities within the Fire District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Fire District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Fire District over which the Board of Commissioners exercises operating control.

Component Units

In evaluating how to define the Fire District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fire District has no component units.

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. The Fire District's operations consist of governmental activities, which normally are supported by property taxes and intergovernmental revenues. The Fire District has no business-type activities, which rely to a significant extent on fees and charges for support. If the Fire District had business-type activities, such activities would be reported separately from governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Fire District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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

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

The Fire District reports the following major governmental funds:

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

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The financial resources are derived from temporary notes and general obligation bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

In addition to governmental funds, the Fire District also reports a fiduciary fund. Fiduciary funds are used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Budgets / Budgetary Control

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

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A. 40A:14-78.5.

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

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

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1 and exhibit I-3, includes all amendments and modifications to the adopted budget as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

Encumbrances

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Encumbrances (Cont'd)**

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at year-end.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year end.

Cash, Cash Equivalents and Investments

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

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

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

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed

Inventories recorded on the government-wide financial statements are recorded as expenses when consumed rather than when purchased. The Fire District did not have any inventory for the year ended December 31, 2017.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2017. The Fire District had no prepaid expenses for the year ended December 31, 2017.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Fire District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets**

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

The Fire District's capitalization threshold is \$5,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10-20 Years
Vehicles	5-10 Years
Equipment	5-20 Years

The Fire District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Fire District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Fire District's proportion of expenses and liabilities to the pension as a whole, differences between the Fire District's pension contribution and its proportionate share of contributions, and the Fire District's pension contributions subsequent to the pension valuation measurement date.

In addition, the Fire District reports the following as deferred outflows of resources:

Defeasance of debt - The loss on refunding arose from the issuance of refunding bonds, which is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Compensated Absences**

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

The Fire District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

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

Bond Discounts / Premiums

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts / premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position.

Net Position

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position (Cont'd)**

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

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

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

Fund Balance

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

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

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Interfund Activity**

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Accounting Estimates

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

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

The Fire District implemented the following GASB Statements for the year ended December 31, 2017:

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statement during the year ended December 31, 2017 that will become effective for the Fire District in future years as shown below:

Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Fire District in the year ending December 31, 2018. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Fire District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 85, *Omnibus 2017*. The primary objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement will become effective for the Fire District in the year ending December 31, 2019. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Fire District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the Fire District's amount on deposit of \$3,441,759.92 as of December 31, 2017, \$250,000.00 was insured under FDIC and the remaining balance of \$3,191,759.92 was insured under GUDPA.

Restricted Cash and Cash Equivalents – At December 31, 2017, the government-wide financial statements reported restricted cash and cash equivalents. This amount of \$605,441.38 in cash and cash equivalents is held for capital projects.

Note 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire District assessed valuations, tax levies, and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2017	\$ 5,764,242,792.00	\$ 9,171,773.00	\$.160
2016	5,763,738,392.00	8,279,556.00	.144
2015	5,790,026,894.00	8,273,976.00	.143
2014 (1)	5,786,157,100.00	8,223,613.00	.143
2013	3,364,725,113.00	8,316,129.00	.248

(1) *revaluation*

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 consisted of an amount owed from the general fund to the Fire District's fiduciary fund for the Length of Service Awards Program contribution at year-end. All receivables are considered collectible.

Accounts receivable as of year-end for the Fire District's fiduciary fund, in the aggregate, is as follows:

	Fiduciary Fund
Fire District LOSAP Contribution	<u>\$ 42,230.00</u>

Note 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance Jan. 1, 2017	Increases	Decreases	Balance Dec. 31, 2017
Capital Assets that are not being Depreciated:				
Land	\$ 500,000.00			\$ 500,000.00
Construction in Progress	2,661,486.92	\$ 84,596.18		2,746,083.10
Total Capital Assets not being Depreciated	<u>3,161,486.92</u>	<u>84,596.18</u>	<u>-</u>	<u>3,246,083.10</u>
Capital Assets that are being Depreciated:				
Buildings and Improvements	8,123,734.18			8,123,734.18
Vehicles	4,252,770.22		\$ (25,895.00)	4,226,875.22
Equipment	431,110.56			431,110.56
Total Capital Assets being Depreciated	<u>12,807,614.96</u>	<u>-</u>	<u>(25,895.00)</u>	<u>12,781,719.96</u>
Total Capital Assets, Cost	<u>15,969,101.88</u>	<u>84,596.18</u>	<u>(25,895.00)</u>	<u>16,027,803.06</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,682,729.51)	(232,985.28)		(3,915,714.79)
Vehicles	(2,002,627.13)	(128,877.84)	25,895.00	(2,105,609.97)
Equipment	(274,742.92)	(21,137.65)		(295,880.57)
Total Accumulated Depreciation	<u>(5,960,099.56)</u>	<u>(383,000.77) *</u>	<u>25,895.00</u>	<u>(6,317,205.33)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	<u>6,847,515.40</u>	<u>(383,000.77)</u>	<u>-</u>	<u>6,464,514.63</u>
Capital Assets, Net	<u>\$ 10,009,002.32</u>	<u>\$ (298,404.59)</u>	<u>-</u>	<u>\$ 9,710,597.73</u>

* Depreciation expense was charged to governmental functions as follows:

Administration	\$ 123,300.63
Cost of Operations and Maintenance	253,450.15
Operating Appropriations Offset with Revenues	6,249.99
Total Depreciation Expense	<u>\$ 383,000.77</u>

Note 6: LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Due within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Bonds	\$ 4,585,000.00		\$ (500,000.00)	\$ 4,085,000.00	\$ 495,000.00
Less Amounts:					
Bond Premiums	53,034.74		(6,803.45)	46,231.29	6,803.45
Total Bonds Payable	<u>4,638,034.74</u>	<u>-</u>	<u>(506,803.45)</u>	<u>4,131,231.29</u>	<u>501,803.45</u>
Other Liabilities:					
Net Pension Liability	22,584,858.00	\$ 7,301,826.00	(11,268,649.00)	18,618,035.00	
Obligations under Capital Leases	1,032,794.77		(195,584.08)	837,210.69	200,923.73
Compensated Absences	504,897.25	115,083.37	(65,870.45)	554,110.17	55,411.02
Total Other Liabilities	<u>24,122,550.02</u>	<u>7,416,909.37</u>	<u>(11,530,103.53)</u>	<u>20,009,355.86</u>	<u>256,334.75</u>
Governmental Activity Long-Term Liabilities	<u>\$ 28,760,584.76</u>	<u>\$ 7,416,909.37</u>	<u>\$ (12,036,906.98)</u>	<u>\$ 24,140,587.15</u>	<u>\$ 758,138.20</u>

General Obligation Bonds - Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Fire District are to be paid from property taxes. As of December 31, 2017, the Fire District had the following outstanding fire district bonds:

On April 28, 2010, the Fire District issued \$4,215,000.00 in refunding bonds at interest rates ranging from 2.000% to 4.000% of a prior bond issue obligation from 2001. The final maturity of the refunding bonds is October 1, 2021. The bonds will be paid from property taxes.

Principal and interest due on the fire district bonds outstanding is as follows:

<u>Year Ending</u> <u>Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 370,000.00	\$ 54,312.50	\$ 424,312.50
2019	380,000.00	42,750.00	422,750.00
2020	380,000.00	30,400.00	410,400.00
2021	380,000.00	15,200.00	395,200.00
Total	<u>\$ 1,510,000.00</u>	<u>\$ 142,662.50</u>	<u>\$ 1,652,662.50</u>

On October 1, 2014, the Fire District issued \$2,950,000.00 of general obligation bonds at interest rates ranging from 2.000% to 3.000% for major repairs to and reconstruction of existing fire station facilities. The final maturity of these bonds is October 1, 2029. The bonds will be paid from property taxes.

Principal and interest due on the fire district bonds outstanding is as follows:

<u>Year Ending</u> <u>Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 125,000.00	\$ 64,000.00	\$ 189,000.00
2019	150,000.00	61,500.00	211,500.00
2020	150,000.00	58,500.00	208,500.00
2021	150,000.00	55,500.00	205,500.00
2022	250,000.00	52,500.00	302,500.00
2023-27	1,250,000.00	175,937.50	1,425,937.50
2028-29	500,000.00	22,500.00	522,500.00
Total	<u>\$ 2,575,000.00</u>	<u>\$ 490,437.50</u>	<u>\$ 3,065,437.50</u>

Note 6: LONG-TERM LIABILITIES (CONT'D)

Bonds Authorized but not Issued - As of December 31, 2017, the Fire District had no authorizations to issue additional debt.

Obligations under Capital Leases - The Fire District is leasing fire apparatus and property totaling \$1,949,851.00 under a capital lease.

The following is a schedule of the remaining future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at December 31, 2017:

Year Ending Dec. 31,	Principal	Interest	Total
2018	\$ 200,923.73	\$ 22,856.77	\$ 223,780.50
2019	206,409.17	17,371.33	223,780.50
2020	212,044.37	11,736.13	223,780.50
2021	217,833.42	6,947.08	224,780.50
Total	<u>\$ 837,210.69</u>	<u>\$ 58,911.31</u>	<u>\$ 896,122.00</u>

Capital leases are depreciated in a manner consistent with the Fire District's depreciation policy for owned assets. The debt service fund is responsible for budgeting and liquidating the liability associated with the capital leases.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 11 for a description of the Fire District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 7. The Fire District's annual required contribution to the Public Employees' Retirement System and the Police and Firemen's Retirement System is budgeted and paid from the general fund on an annual basis.

Note 7: PENSION PLANS

A substantial number of the Fire District's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several Fire District employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

Note 7: PENSION PLANS (CONT'D)**General Information about the Pension Plans****Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Fire District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Police and Firemen's Retirement System - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the Fire District. The PFRS' Board of Trustees is primarily responsible for the administration of the PFRS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Note 7: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

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

Police and Firemen's Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier Definition

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of 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.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Note 7: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions**

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Fire District's contractually required contribution rate for the year ended December 31, 2017 was 13.11% of the Fire District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2017 is \$63,130.00, and is payable by April 1, 2018. Based on the PERS measurement date of June 30, 2016, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2016 was \$59,809.00, which was paid on April 1, 2017. Employee contributions to the Plan during the year ended December 31, 2017 were \$35,000.42.

Police and Firemen's Retirement System - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was 10% in State fiscal year 2017. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - 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 nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to record in the government-wide financial statements or to disclose in the notes to the financial statements of the local participating employer related to this legislation.

The Fire District's contractually required contribution rate for the year ended December 31, 2017 was 25.66% of the Fire District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Note 7: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Police and Firemen's Retirement System (Cont'd) - Based on the most recent PFRS measurement date of June 30, 2017, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2017 is \$976,377.00, and is payable by April 1, 2018. Based on the PFRS measurement date of June 30, 2016, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2016 was \$878,868.00, which was paid on April 1, 2017. Employee contributions to the Plan during the year ended December 31, 2017 were \$381,519.80.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Fire District, for the year ended December 31, 2017 was 2.51% of the Fire District's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2017 is \$95,393.00, and is payable by April 1, 2018. Based on the PFRS measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2016 was \$66,255.00, which was paid on April 1, 2017.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Fire District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2017, employee contributions totaled \$1,296.13, and the Fire District's contributions were \$707.34. There were no forfeitures during the year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System - At December 31, 2017 the Fire District's proportionate share of the PERS net pension liability was \$1,586,330.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Fire District's proportion was 0.0068146010%, which was an increase of 0.0000822775% from its proportion measured as of June 30, 2016.

At December 31, 2017, the Fire District's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2017 measurement date was \$165,723.00.

Note 7: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Police and Firemen's Retirement System - At December 31, 2017, the Fire District's and State of New Jersey's proportionate share of the PFRS net pension liability was as follows:

Fire District's Proportionate Share of Net Pension Liability	\$ 17,031,705.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Fire District	<u>1,907,694.00</u>
	<u><u>\$ 18,939,399.00</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2017 measurement date, the Fire District's proportion was 0.1103227838%, which was an increase of 0.0025312661% from its proportion measured as of June 30, 2016. Likewise, at June 30, 2017, the State of New Jersey's proportion, on-behalf of the Fire District, was 0.1103227838%, which was an increase of 0.0025312661% from its proportion, on-behalf of the Fire District, measured as of June 30, 2016.

At December 31, 2017, the Fire District's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2017 measurement date is \$2,051,749.00.

At December 31, 2017, the State's proportionate share of the PFRS pension expense, associated with the Fire District, calculated by the Plan as of the June 30, 2017 measurement date is \$233,354.00. This on-behalf expense has been recognized by the Fire District in the government-wide financial statements.

Note 7: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2017, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between Expected and Actual Experience	\$ 37,353.00	\$ 110,492.00	\$ 147,845.00	\$ -	\$ 99,962.00	\$ 99,962.00
Changes of Assumptions	319,591.00	2,100,199.00	2,419,790.00	318,419.00	2,789,295.00	3,107,714.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	10,802.00	325,005.00	335,807.00	-	-	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	147,112.00	1,555,718.00	1,702,830.00	-	268,191.00	268,191.00
Fire District Contributions Subsequent to the Measurement Date	31,565.00	488,189.00	519,754.00	-	-	-
	<u>\$ 546,423.00</u>	<u>\$ 4,579,603.00</u>	<u>\$ 5,126,026.00</u>	<u>\$ 318,419.00</u>	<u>\$ 3,157,448.00</u>	<u>\$ 3,475,867.00</u>

\$31,565.00 and \$488,189.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2018. These amounts were based on an estimated April 1, 2019 contractually required contribution, prorated from the pension plans measurement date of June 30, 2017 to the Fire District's year end of December 31, 2017.

Note 7: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Fire District will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>PERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
June 30, 2017	5.48	-	5.59	-
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
June 30, 2017	-	5.48	-	5.59
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	-	5.00	-	5.00
June 30, 2016	5.00	-	5.00	-
June 30, 2017	5.00	-	5.00	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58
June 30, 2017	5.48	5.48	5.59	5.59

Note 7: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

Year Ending Dec 31,	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2018	\$ 88,650.00	\$ 714,337.00	\$ 802,987.00
2019	107,659.00	1,068,377.00	1,176,036.00
2020	70,790.00	207,156.00	277,946.00
2021	(39,128.00)	(752,298.00)	(791,426.00)
2022	(31,532.00)	(303,606.00)	(335,138.00)
	<u>\$ 196,439.00</u>	<u>\$ 933,966.00</u>	<u>\$ 1,130,405.00</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

Note 7: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

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

For PFRS, preretirement mortality rates were based on the RP-2000 Preretirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the Plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the Plan actuary's modified 2014 projection scales and further projected on a generational basis using the Plan actuary's modified 2014 projection scales. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the Plan actuary's modified 2014 projection scales and further projected on a generational basis using the Plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

Note 7: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00% for PERS and 6.14% for PFRS. For both PERS and PFRS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040 for PERS and through 2057 for PFRS; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2040 for PERS and through 2057 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 7: PENSION PLANS (CONT'D)**Sensitivity of Fire District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Public Employees' Retirement System (PERS) - The following presents the Fire District's proportionate share of the net pension liability at June 30, 2017, the Plan's measurement date, calculated using a discount rate of 5.00%, as well as what the Fire District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Fire District's Proportionate Share of the Net Pension Liability	\$ 1,967,950.00	\$ 1,586,330.00	\$ 1,268,393.00

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the Fire District's annual required contribution. As such, the net pension liability as of June 30, 2017, the Plan's measurement date, for the Fire District and the State of New Jersey, calculated using a discount rate of 6.14%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	PFRS		
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
Fire District's Proportionate Share of the Net Pension Liability	\$ 22,440,674.00	\$ 17,031,705.00	\$ 12,587,622.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Fire District	2,513,543.95	1,907,694.00	1,409,919.38
	<u>\$ 24,954,217.95</u>	<u>\$ 18,939,399.00</u>	<u>\$ 13,997,541.38</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS' and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, 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. For additional information about PERS and PFRS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Note 8: RISK MANAGEMENT

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

New Jersey Unemployment Compensation Insurance - The Fire District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contribution Method". Under this method, a contribution rate is established annually for the Fire District's shared on unemployment tax. This rate is based on cost experience for all government employers.

Joint Insurance Fund - The Fire District is a member of the FIRST Responder Joint Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation
 General Liability
 Auto Liability
 Property / Boiler & Machinery
 Auto Physical Damage
 Public Officials
 Non-owned Aircraft Liability
 Employment Practices Liability Coverage subject to the compliance program
 Environmental Impairment Liability Coverage

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

The Fund provides the Fire District with the following coverage:

Property
 Crime
 Casualty (Liability)
 Business Automobile
 Workers' Compensation
 Environmental Legal Liability
 Storage Tank System Third-Party Liability
 Public Employee Bond
 Public Officials and Employment Liability
 Volunteer Emergency Services Directors and Officers Liability

Joint Insurance Fund (Cont'd) - Contributions to the Fund, are payable in semiannual premiums and is based on actuarial assumptions determined by the Fund's actuary. The Fire District's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2017, which can be obtained from:

FIRST Responder Joint Insurance Fund
 51 Everett Drive, Suite B40
 West Windsor, New Jersey 08512

Note 9: DEFERRED COMPENSATION

The Fire District offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors. Since the Fire District does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Fire District's financial statements.

Note 10: COMPENSATED ABSENCES

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

All full-time personnel are entitled to fifteen sick days per year. Sick days not used may be carried forward. Payment for any accumulated sick leave is capped at \$3,000.00 as stated in employee's contractual agreements. Vacation days are awarded based on years of service with the Fire District and may be carried forward at the end of an employee's anniversary period up to a capped threshold. Any additional time in excess of the threshold would be forfeited.

Uniformed personnel, with the exception of the Chief, Deputy Chief, Fire District Administrator and Secretarial Assistant, are governed by a collective bargaining agreement with the Fire District and the I.A.F.F. ALF-CIO Local No. 4408. The Chief, Deputy Chief, Fire District Administrator and Secretarial Assistant are governed under individual contractual agreements and they are entitled to one hundred and thirty-five hours of sick leave per year.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2017, the liability for compensated absences reported on the government-wide statement of net position was \$554,110.16.

Note 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at December 31, 2017 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General		\$ 4,096.32
Capital Projects	\$ 4,096.32	
	<u>\$ 4,096.32</u>	<u>\$ 4,096.32</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the year 2018, the Fire District expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 12: CONCENTRATIONS

A significant source of revenue for the Fire District comes from its ability to levy property taxes (see note 1 for detail on property taxes). The ability to levy property taxes, and the limits to which property taxes can be levied, are promulgated by State statute. As a result of this dependency, the Fire District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

Note 13: FUND BALANCES APPROPRIATED - GENERAL FUND

The 2018 annual budget of the Fire District was adopted on January 15, 2018, and subsequently approved by the voters at the annual election held on February 17, 2018. The adopted budget utilized \$448,901.00 of fund balance in the general fund.

The following presents the total fund balance of the general fund as of the end of the last five years and the amount utilized in the subsequent year's budget:

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2017	\$ 2,410,045.42	\$ 448,901.00
2016	2,301,090.00	687,113.00
2015	2,539,836.59	1,197,432.00
2014	3,073,124.45	1,099,431.95
2013	3,057,559.31	796,431.95

Note 14: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

General Fund -

Capital Projects (Future Capital Outlays) - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2017, the balance is \$401,524.48.

Capital Projects Fund -

Capital Projects - On April 21, 2014, the governing body of the Fire District adopted a resolution proposing a capital ballot question that was presented to the voters, and approved, at a special election held on July 10, 2014. The voter-approved ballot question authorized the Fire District to issue bonds for repairs to and reconstruction to Fire Stations. The Fire District on October 1, 2014, issued fire district bonds in the amount of \$2,950,000.00 to permanently fund the project. As of December 31, 2017, the restricted fund balance is \$203,916.90.

Note 14: FUND BALANCES (CONT'D)**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The Fire District has appropriated and included as an anticipated revenue for the year ending December 31, 2018, \$448,901.00 of general fund balance at December 31, 2017.

Other Purposes - As of December 31, 2017, the Fire District had \$151,177.69 of encumbrances outstanding for purchase orders and contracts signed by the Fire District, but not completed, as of the close of the year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

General Fund - As of December 31, 2017, \$1,961,144.42 of general fund balance was unassigned.

Note 15: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description - The Fire District's length of service awards program (the "Plan"), which is a defined contribution plan reported in the Fire District's fiduciary fund as a private-purpose trust, was created by a Fire District Resolution adopted on December 17, 2004 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 Fire District approved the adoption of the Plan at the general election held on February 19, 2005, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2005. The Plan provides tax deferred income benefits to active emergency service volunteers, consisting of the volunteer fire department and the first aid organization and is administered by Lincoln National Life Insurance Company ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The Fire District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

The tax deferred income benefits for emergency service volunteers come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of the Plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Note 15: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

Plan Amendments - The Fire District may make minor amendments to the provisions of the Plan at any time, provided, however, that no amendment affects the rights of participants or their beneficiaries regarding vested accumulated deferrals at the time of the amendment. The Plan can only be amended by resolution of the governing body of the Fire District, and the following procedures must be followed: (a) any amendment to the Plan shall be submitted for review and approval by the Director of Local Government Services, State of New Jersey (the "Director") prior to implementation by the Fire District's governing body, provided, however, that any amendment required by the IRS, may be adopted by the Fire District's governing body without the advance approval of the Director (although such amendment shall be filed with the Director); (b) the documentation submitted to the Director shall identify the regulatory authority for the amendment and the specific language of the change; and (c) the Fire District shall adopt the amendment by resolution of the governing body, and a certified copy of the resolution shall be forwarded to the Director. The Fire District may amend the Plan agreement to accommodate changes in the Internal Revenue Code, Federal statutes, state laws or rules or operational experience. In cases of all amendments to the Plan, the Fire District shall notify all participants in writing prior to making any amendment to the Plan.

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Fire District elected to contribute between \$100.00 and \$1,230.00 for the year ended December 31, 2017, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Fire 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 Plan. The types of investment options, and the administering of such investments, rests solely with the Plan Administrator.

Participant Accounts - Each participant's account is credited with the Fire District's contribution and 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 Fire District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the Plan participants and their beneficiaries. The contributions from the Fire District to the Plan, and the related earnings, are not irrevocable, and such funds are not legally protected from the creditors of the Fire District. These funds, however, are not available for funding the operations of the Fire District.

Vesting - The Fire District, in accordance with N.J.S.A. 40A:14-188 and N.J.A.C. 5:30-11.63 may make a yearly contribution to the length of service awards program account in the deferred income program for an active volunteer who has satisfied the requirements for receipt of an award, but the volunteer shall not be able to receive a distribution of the funds until the completion of a five year vesting period or be in accordance with changes to vesting conveyed through the issuance of a Local Finance Notice and/or publication of a public notice in the New Jersey Register, with payment of that benefit only being as otherwise permitted by the Plan.

Payment of Benefits - Upon separation from volunteer service, retirement or disability, termination of the Plan, participants may select various payout options of vested accumulated deferrals, 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 local plan administrator to payout a portion of vested accumulated deferrals.

Note 15: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

Forfeited Accounts - For the year ended December 31, 2017, no accounts were forfeited.

Investments - The investments of the length of service awards program reported on the statement of fiduciary net position are recorded at fair value.

Plan Information - Additional information about the Fire District's length of service awards program can be obtained by contacting the Plan Administrator.

Note 16: TAX ABATEMENTS

The Township of Mount Laurel has entered into various property tax abatement agreements with properties having aggregate assessed valuations of \$4,375,700.00. Based on the Fire District's 2017 certified tax rate of \$.160, abated taxes totaled \$7,001.12.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Miscellaneous Anticipated Revenues:					
Interest on Investments and Deposits	\$ 50.00		\$ 50.00	\$ 4,888.37	\$ 4,838.37
Shared Services (N.J.S.A. 40A:65-1 et seq.)	2,500.00		2,500.00	28,268.85	25,768.85
Sale of Assets	7,500.00		7,500.00	1,528.00	(5,972.00)
Other Revenue	7,250.00		7,250.00	3,500.00	(3,750.00)
Total Miscellaneous Revenues Anticipated	17,300.00	-	17,300.00	38,185.22	20,885.22
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	11,723.00	-	11,723.00	11,728.00	5.00
Miscellaneous Revenues Offset with Appropriations					
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Annual Registration Fees	328,887.00		328,887.00	356,726.83	27,839.83
Other Revenues	90,600.00		90,600.00	134,879.56	44,279.56
Total Miscellaneous Revenues Offset with Appropriations	419,487.00	-	419,487.00	491,606.39	72,119.39
Amount to be Raised by Taxation to Support the District Budget	8,315,931.00	-	8,315,931.00	8,315,931.04	0.04
Total Anticipated Revenues	8,764,441.00	-	8,764,441.00	8,857,450.65	93,009.65
Non-Budgetary Revenues:					
Miscellaneous				23,363.13	23,363.13
Maintenance Bond Account				15.44	15.44
Total Non-Budgetary Revenues	-	-	-	23,378.57	23,378.57
Total Revenues	8,764,441.00	-	8,764,441.00	8,880,829.22	116,388.22

(Continued)

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Business Manager UFD	\$ 137,196.00	\$ (65,000.00)	\$ 72,196.00	\$ 71,184.55	\$ 1,011.45
Secretarial Assisstant	57,620.00		57,620.00	57,598.03	21.97
Systems Administrator (IT)	65,614.00		65,614.00	65,589.53	24.47
Clerk/Typist (Training Division)	32,539.00		32,539.00	29,117.82	3,421.18
Personnel Assistant	50,171.00		50,171.00	50,151.95	19.05
Business Manager replace (new) (10 mo.)	70,833.00		70,833.00	1,942.50	68,890.50
Fringe Benefits	234,378.00	(72,000.00)	162,378.00	131,103.03	31,274.97
Other Expenses:					
All Other Administration Expenses	395,197.00	50,000.00	445,197.00	439,838.67	5,358.33
Contingent	1,000.00	1,000.00	2,000.00	1,814.40	185.60
Total Administration	<u>1,044,548.00</u>	<u>(86,000.00)</u>	<u>958,548.00</u>	<u>848,340.48</u>	<u>110,207.52</u>
Cost of Operations and Maintenance:					
Salary and Wages:					
Chief of Department	152,978.00	1,000.00	153,978.00	153,511.97	466.03
Deputy Chief	137,196.00	70,000.00	207,196.00	206,350.95	845.05
Battalion Chiefs	238,606.00	(10,000.00)	228,606.00	187,088.32	41,517.68
Battalion Chief (Retiring Partial)	80,302.00	(4,000.00)	76,302.00	61,900.72	14,401.28
Captains	327,456.00	11,500.00	338,956.00	338,654.46	301.54
Lieutenants	609,798.00	8,500.00	618,298.00	618,233.19	64.81
Firefighters (27 staff w/many diff. salaries)	2,124,600.00	9,000.00	2,133,600.00	2,133,500.81	99.19
Firefighter (new) (10 mo.)	35,000.00		35,000.00	8,076.90	26,923.10

(Continued)

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Cost of Operations and Maintenance (Cont'd):					
Salary and Wages (Cont'd):					
Supervisory Mechanic	\$ 87,008.00		\$ 87,008.00	\$ 84,235.34	\$ 2,772.66
Mechanic	45,845.00		45,845.00	45,827.89	17.11
Facilities Maint. (p/t)	21,640.00		21,640.00		21,640.00
Training Officer	70,000.00		70,000.00	56,993.30	13,006.70
Volunteer Stipend Program	50,000.00		50,000.00	32,608.00	17,392.00
Fringe Benefits	2,263,800.00	\$ 28,000.00	2,291,800.00	2,291,768.17	31.83
Other Expenses:					
Miscellaneous Fringe Benefits not incl. above	344,981.00		344,981.00	292,418.48	52,562.52
All Other Cost of Op's & Maint. Expenses	1,037,464.17	(28,000.00)	1,009,464.17	592,634.61	416,829.56
Grants	23,457.40		23,457.40	11,734.40	11,723.00
Other Assets - Non-Bondable #1	150,009.80		150,009.80	138,749.05	11,260.75
Total Cost of Operations and Maintenance	7,800,141.37	86,000.00	7,886,141.37	7,254,286.56	631,854.81
Operating Appropriations Offset with Revenues:					
Salary and Wages:					
Civilian Fire Prev. Spec. (p/t)	96,745.00		96,745.00	68,073.96	28,671.04
Senior Clerk / Typist	53,951.00		53,951.00	53,930.86	20.14
Fire Official UFD	119,303.00		119,303.00	119,257.47	45.53
Fringe Benefits	90,976.00		90,976.00	86,666.83	4,309.17
Other Expenses					
All Other Appro. Offset w/Revenue Expenses	56,512.00		56,512.00	34,163.15	22,348.85
Other Assets- Non-Bondable #1	2,000.00		2,000.00	1,459.82	540.18
Total Operating Appropriations Offset with Revenues	419,487.00	-	419,487.00	363,552.09	55,934.91
Length of Service Awards Program (LOSAP)	75,030.00	-	75,030.00	42,230.00	32,800.00
Capital Appropriations					
Capital Improvements					
Reserve for Future Capital Outlays	200,000.00		200,000.00		200,000.00
Total Expenditures	9,539,206.37	-	9,539,206.37	8,508,409.13	1,030,797.24

(Continued)

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (774,765.37)	-	\$ (774,765.37)	\$ 372,420.09	\$ 1,147,185.46
Fund Balance, Beginning				2,590,327.50	
Fund Balance, Ending				\$ 2,962,747.59	
Recapitulation:					
Restricted					
Maintenance Bond Account				\$ 1,524.48	
Capital Projects (Future Capital Outlay)				400,000.00	
Assigned					
Subsequent Year's Expenditures				448,901.00	
Year-End Encumbrances				151,177.69	
Unassigned				1,961,144.42	
				\$ 2,962,747.59	

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 Budgetary Comparison Schedule
 Note to Required Supplementary Information
 For the Year Ended December 31, 2017

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 8,880,829.22	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	_____	_____
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	\$ 8,880,829.22	-
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 8,508,409.13	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 8,508,409.13	-

**REQUIRED SUPPLEMENTARY INFORMATION
PART III**

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR PENSIONS
AND LENGTH OF SERVICE AWARD PROGRAM**

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Five Years

	<u>Measurement Date Ended June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0068146010%	0.0067323235%	0.0065841463%	0.0055995642%	0.0052756573%
Fire District's Proportionate Share of the Net Pension Liability	\$ 1,586,330.00	\$ 1,993,921.00	\$ 1,478,009.00	\$ 1,048,392.00	\$ 1,008,283.00
Fire District's Covered Payroll (Plan Measurement Period)	\$ 472,120.00	\$ 463,140.00	\$ 454,180.00	\$ 387,248.00	\$ 318,700.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	336.00%	430.52%	325.42%	270.73%	316.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Contributions
 Public Employees' Retirement System (PERS)
Last Five Years

	<u>Year Ended December 31,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 63,130.00	\$ 59,809.00	\$ 56,606.00	\$ 46,162.00	\$ 39,751.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(63,130.00)</u>	<u>(59,809.00)</u>	<u>(56,606.00)</u>	<u>(46,162.00)</u>	<u>(39,751.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire District's Covered Payroll (Calendar Year)	\$ 481,436.00	\$ 472,120.00	\$ 463,140.00	\$ 454,180.00	\$ 397,601.00
Fire District's Contributions as a Percentage of its Covered Payroll	13.11%	12.67%	12.22%	10.16%	10.00%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability
 Police and Firemen's Retirement System (PFRS)
 Last Five Years

	<u>Measurement Date Ended June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.1103227838%	0.1077915177%	0.1107741976%	0.0963517517%	0.0887517476%
Fire District's Proportionate Share of the Net Pension Liability	\$ 17,031,705.00	\$ 20,590,937.00	\$ 18,451,120.00	\$ 12,120,157.00	\$ 11,798,744.00
State's Proportionate Share of the Net Pension Liability associated with the Fire District	1,907,694.00	1,729,128.00	1,618,101.00	1,305,137.00	1,099,786.00
Total	<u>\$ 18,939,399.00</u>	<u>\$ 22,320,065.00</u>	<u>\$ 20,069,221.00</u>	<u>\$ 13,425,294.00</u>	<u>\$ 12,898,530.00</u>
Fire District's Covered Payroll (Plan Measurement Period)	\$ 3,628,940.00	\$ 3,660,540.00	\$ 3,660,540.00	\$ 3,182,552.00	\$ 3,039,744.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	469.33%	579.25%	504.05%	380.83%	388.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, this presentation will only include information for those years for which information is available.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Contributions
 Police and Firemen's Retirement System (PFRS)
Last Five Years

	<u>Year Ended December 31,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 976,377.00	\$ 878,868.00	\$ 900,429.00	\$ 740,048.00	\$ 647,513.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(976,377.00)</u>	<u>(878,868.00)</u>	<u>(900,429.00)</u>	<u>(740,048.00)</u>	<u>(647,513.00)</u>
Fire District's Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fire District's Covered Payroll (Calendar Year)	\$ 3,804,698.00	\$ 3,648,318.00	\$ 3,593,146.00	\$ 3,583,796.00	\$ 3,359,735.00
Fire District's Contributions as a Percentage of its Covered Payroll	25.66%	24.09%	25.06%	20.65%	19.27%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Contributions
 Length of Service Award Program
 Last Five Years

	<u>Year Ended December 31,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Plan Calculated Contribution	\$ 42,230.00	\$ 43,400.00	\$ 49,270.00	\$ 25,441.16	\$ 55,255.37
Fire District's Contributions in Relation to the Plan Calculated Contribution	<u>(42,230.00)</u>	<u>(43,400.00)</u>	<u>(49,270.00)</u>	<u>(25,441.16)</u>	<u>(55,255.37)</u>
Fire District's Plan Calculated Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Notes to Required Supplementary Information - Part III
 For the Year Ended December 31, 2017

Public Employees' Retirement System (PERS)

Changes in Benefit Terms:

None

Changes in Assumptions:

For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

Police and Firemen's Retirement System (PFRS)

Changes in Benefit Terms:

In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

Changes in Assumptions:

For 2017, the discount rate changed to 6.14% and the long-term rate of returned changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

Length of Service Award Program (LOSAP)

The Fire District may contribute an amount per eligible volunteer in accordance with the Plan document. The amount that the Fire District elected to contribute to an eligible volunteer ranged from \$460.00 in 2013 to \$1,230.00 in 2017.

OTHER SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Capital Projects Fund
 Summary Statement of Project Expenditures
 For the Year Ended December 31, 2017

<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance Dec. 31, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Repairs to and reconstruction to Fire Stations	9/10/2014	<u>\$ 2,950,000.00</u>	<u>\$ 2,661,486.92</u>	<u>\$ 84,596.18</u>	<u>\$ 203,916.90</u>

LONG-TERM DEBT

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Schedule of Serial Bonds
 For the Year Ended December 31, 2017

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Dec. 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds, Series 2010	10/1/10	\$ 4,215,000.00	10-1-18	\$ 370,000.00	3.125%	\$ 1,885,000.00		\$ 375,000.00	\$ 1,510,000.00
			10-1-19	380,000.00	3.250%				
			10-1-20/21	380,000.00	4.000%				
Series 2014, General Obligation Bonds	10/16/14	2,950,000.00	10-1-18	125,000.00	2.000%	2,700,000.00		125,000.00	2,575,000.00
			10-1-19/21	150,000.00	2.000%				
			10-1-22	250,000.00	2.000%				
			10-1-23	250,000.00	2.375%				
			10-1-24/25	250,000.00	2.500%				
			10-1-26	250,000.00	2.625%				
			10-1-27/29	250,000.00	3.000%				
					<u>2,700,000.00</u>		<u>125,000.00</u>	<u>2,575,000.00</u>	
					<u>\$ 4,585,000.00</u>	<u>-</u>	<u>\$ 500,000.00</u>	<u>\$ 4,085,000.00</u>	

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Schedule of Obligations Under Capital Leases
 For the Year Ended December 31, 2017

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding Jan. 1, 2017 (a)</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2017 (a)</u>
			<u>Principal (b)</u>	<u>Interest</u>					
2012 Various Apparatus	11/1/2012	120 Months	\$ 1,949,851.00	\$ 287,954.00	2.73%	<u>\$ 1,032,794.77</u>	<u>-</u>	<u>\$ 195,584.08</u>	<u>\$ 837,210.69</u>

(a) Future Interest Payments Removed from Carrying Value of Leases.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Amount of be Raised by Taxation to Support the District Budget	\$ 855,843.00		\$ 855,843.00	\$ 855,843.00	
EXPENDITURES:					
Principal Payments:					
General Obligation Bonds	500,000.00		500,000.00	500,000.00	
Capital Leases	195,584.00	\$ 0.08	195,584.08	195,584.08	
Interest Payments:					
General Obligation Bonds	132,063.00	(0.08)	132,062.92	132,062.50	\$ 0.42
Capital Leases	28,196.00		28,196.00	28,196.42	(0.42)
Total Expenditures	<u>855,843.00</u>	<u>-</u>	<u>855,843.00</u>	<u>855,843.00</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning				<u>-</u>	
Fund Balance, Ending				<u>-</u>	

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Schedule of Findings and Recommendations
For the Year Ended December 31, 2017

Schedule of Financial Statement Findings

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

None.

TOWNSHIP OF MOUNT LAUREL FIRE DISTRICT NO. 1
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management

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

FINANCIAL STATEMENT FINDINGS

None.

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APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

