

**MOORESTOWN FIRE DISTRICT NO. 2
MOORESTOWN, NEW JERSEY**

REPORT OF AUDIT

For the Year Ended December 31, 2020

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Introductory Section

**MOORESTOWN FIRE DISTRICT NO. 2
OFFICIALS IN OFFICE AND SURETY BONDS
December 31, 2020**

Amount Of
Surety Bond

Board of Commissioners

William Wesolowski - Chairman
Jacqueline Grant - Vice Chairwoman
Lawrence F. Niedermayer, Sr. - Secretary
Alexander Humes - Treasurer
James Caruthers (To 2/8/20)
Howard C. Mann, Sr. (From 2/8/20)

Other Officials

Stephen W. Knobbs - Administrator
Robert Grant - Fire Chief
Christopher F. Costello, Esquire - Solicitor
Matt Orsini:
 Fire Official
 Hall Rental Agent

\$ 100,000.00

Surety Company

Selected Insurance Company of America

The Board also has a blanket bond in the amount of \$50,000.00 covering all employees of the District.

The Board purchased a surety bond covering the Treasurer, Alexander Humes and the Treasurer of the Lenola Volunteer Fire Company in the amount of \$100,000.00 each.

Financial Section



CERTIFIED PUBLIC ACCOUNTANTS



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED
BY REQUIRED SUPPLEMENTARY INFORMATION - GOVERNMENTAL ENTITY**

Independent Auditor's Report

Honorable Chairman and Members
of the Board of Fire Commissioners
Moorestown Fire District No. 2
Moorestown, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moorestown Fire District No. 2, County of Burlington, State of New Jersey, as of and for the year ended December 31, 2020, 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. Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, 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 of material misstatement.

General fixed assets are presented in these general purpose financial statements at estimated cost, which is not in accordance with generally accepted accounting principles. The cost of land is not presented in these general purpose financial statements.

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 judgement, 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, except for the presentation of the general fixed assets, as described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District as of December 31, 2020, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Fire District's proportionate share of net pension liability, schedule of the Fire District's pension contributions, and schedule of the Fire District's proportionate share of the net OPEB liability, 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 Fire District'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 April 1, 2022 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Fire District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District's internal control over financial reporting and compliance.

Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP
Woodbury, New Jersey

April 1, 2022



**Ball
Buckley &
Seher, LLP**

CERTIFIED PUBLIC ACCOUNTANTS



**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**

**(No Material Weaknesses Identified, No Significant Deficiencies Identified,
Reportable Instances of Noncompliance or Other Matters Identified)**

Independent Auditor's Report

Honorable Chairman and Members
of the Board of Fire Commissioners
Moorestown Fire District No. 2
Moorestown, New Jersey

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Moorestown Fire District No. 2, County of Burlington, State of New Jersey as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated April 1, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 would not necessarily 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 Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the 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,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP
Woodbury, New Jersey

April 1, 2022

Required Supplementary Information - Part I

**MOORESTOWN FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR DECEMBER 31, 2020
(UNAUDITED)**

As management of the Moorestown Fire District No. 2 (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ending December 31, 2020. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should read it in conjunction with the notes to the financial statements and the financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The net position of the Fire District, which represents the difference between the summation of assets and deferred outflows of resources and the summation of liabilities and deferred inflows of resources, amounted to \$2,967,512.22 at the close of the current year.
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$1,728,576.63, an increase of \$106,423.59 or 6.56% in comparison with the prior year.
- At the end of the current year, the fund balance for the general fund was \$1,268,592.89, an increase of \$56,423.98 or 4.63% in comparison with the prior year. Maintaining fund balance is vital for the Fire District's cash flow, especially for the first quarter of each year. In accordance with the established payment schedule of fire district taxes, the Fire District is required to receive on or before April 1, an amount equaling 21.25% of all moneys assessed; therefore, the Fire District needs sufficient cash flows to meet its obligations from January 1 to March 31.
- At the end of the current year, the fund balance for the capital projects fund was \$456,145.30, an increase of \$50,000.00 or 12.31% in comparison with the prior year.
- At the end of the current year, the fund balance for the debt service fund was \$3,838.44, a decrease of \$0.39 in comparison with the prior year.
- The total debt of the Fire District decreased by \$92,394.95 as a result of the budgeted debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's financial statements. The Fire District's financial statements comprise of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

District-wide financial statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities of the Fire District, with the difference between the two 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 Fire District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the Fire District 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 fiscal periods (e.g. reserve for future post-retirements benefits).

Both of the district-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting and emergency services that are provided to the citizens of the Fire District.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District constitute one fund type, governmental funds.

- **Governmental funds.** All of the Fire District's activities are reported in governmental funds, which focus on how much 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 the 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 Fire District's general governmental 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 services.

The Fire District 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, the special revenue fund, the capital projects fund, and the 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.

Also, the Fire District adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with this budget.

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

District-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets exceeded liabilities by \$2,967,512.22 at the close of the most recent year.

The largest portion of the Fire District's net position 71.44% reflects its investment in capital assets (i.e. buildings and equipment). The Fire District uses these assets to provide fire-fighting services to the citizens of the Fire District. Consequently, these assets are not available for future spending. Although the Fire District'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.

During 2020, the Fire District's net position increased by \$164,183.33, increasing net position from \$2,803,328.89 in 2019 to \$2,967,512.22 in 2020. The analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Fire District's governmental-type activities.

In total, assets increased by \$38,974.34, deferred outflows of resources increased by \$369,184.00, liabilities increased by \$207,910.01, and deferred inflows of resources increased by \$36,065.00. The increase in assets was attributable to the increase in cash and receivables, offset by the decrease in fixed assets.

Table 1
Statement of Net Position

	2020	2019
Assets:		
Current and other assets	\$ 1,805,625.58	\$ 1,718,634.16
Capital assets	2,311,422.53	2,359,439.61
Total assets	4,117,048.11	4,078,073.77
Deferred outflows of resources	610,213.00	241,029.00
Liabilities:		
Other liabilities	238,568.83	222,139.15
Long-term liabilities outstanding	959,196.06	767,715.73
Total liabilities	1,197,764.89	989,854.88
Deferred inflows of resources	561,984.00	525,919.00
Net investment in capital assets	2,119,898.80	2,075,520.93
Restricted	612,306.99	658,941.30
Unrestricted	235,306.43	68,866.66
Net position	\$ 2,967,512.22	\$ 2,803,328.89

\$2,119,898.80 of the Fire District's net position at the end of the current year reflects its net investment in capital assets (ie., buildings and improvements, vehicles, and firefighting equipment and fixtures). This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets. The Fire District uses these assets to provide fire-fighting and emergency services to the citizens of the Township of Moorestown; consequently, these assets are not available for future spending.

Although the Fire District's investments in 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.

An additional component of the Fire District's net position, \$612,306.99, represents resources that are restricted.

The third and final component of net position is unrestricted. The unrestricted net position at year-end is \$235,306.43. This component represents sources and uses that do not meet the criteria of the aforementioned two components of net position.

Table 2 that follows illustrates the changes in net position of the Fire District's governmental activities. During 2020, the Fire District's revenues decreased by \$144,281.80, decreasing from \$1,351,497.22 in 2019 to \$1,207,215.42 in 2020.

Property taxes constituted approximately 65.17% of total revenues for governmental activities for the Fire District for the year 2020. In addition, cost of operations and maintenance comprises 46.80% of the Fire District's expenses, with administration comprising 21.60%, and other operating appropriations offset with revenues comprising 9.71%.

Table 2
Changes in Net Position

	2020	2019
Expenses:		
Operating expenses:		
Administration	\$ 268,728.53	\$ 306,782.69
Cost of operations and maintenance	582,181.74	980,045.03
Operating appropriations offset with revenues	120,799.78	109,246.81
Interest on long-term debt	6,122.57	8,313.83
Unallocated depreciation	<u>266,114.24</u>	<u>258,668.41</u>
Total program expenses	1,243,946.86	1,663,056.77
Revenues:		
Charges for services	(172,484.61)	(225,505.77)
Operating grants and contributions	<u>(1,177.00)</u>	<u>(1,177.00)</u>
Net program expenses	<u>1,070,285.25</u>	<u>1,436,374.00</u>
General revenues:		
Taxes:		
Property taxes, levied for general purposes	687,553.00	673,428.00
Property taxes, levied for debt service	99,237.00	99,239.00
Unrestricted interest earned	25,559.42	32,452.31
Rental of recreation hall	35,325.00	129,725.00
Interlocal services agreement	175,602.50	185,141.00
Smoke detector inspection	5,053.00	2,600.00
Fire safety report fees	2,750.00	-
False fire alarms fees	600.00	-
Prior year refunds	525.39	-
Hall cleaning charges	250.00	550.00
Bank card rebate	977.03	1,379.14
Miscellaneous	<u>121.47</u>	<u>300.00</u>
Total general revenues	<u>1,033,553.81</u>	<u>1,124,814.45</u>
Other adjustments to net position:		
Disposal of fixed assets (net of depreciation)	(17,349.83)	-
Assets acquired with dedicated penalty fees	-	7,098.27
Donated assets	163,264.60	-
Encumbrances canceled	-	3,110.13
Increase in reserve for future post-retirement benefits	<u>55,000.00</u>	<u>55,000.00</u>
Total other adjustments to net position	<u>200,914.77</u>	<u>65,208.40</u>
Change in net position	164,183.33	(246,351.15)
Net position - January 1	<u>2,803,328.89</u>	<u>3,049,680.04</u>
Net position - December 31	<u>\$ 2,967,512.22</u>	<u>\$ 2,803,328.89</u>

During 2020, the Fire District's expenses decreased by \$419,109.00 decreasing from \$1,663,056.77 in 2019 to \$1,243,946.86 in 2020. The main component of this decrease was due to a decrease of \$326,414.00 in the pension liability.

Financial Analysis of the Governmental Funds

As stated earlier, the Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Fire District's governmental funds reported combined ending fund balances of \$1,728,576.63 an increase of \$106,423.59 in comparison with the prior year.

Of the combined ending fund balances of \$1,728,576.63, unreserved fund balance constituted \$1,260,111.64. Of the unreserved fund balance, \$143,842.00 has been utilized in the 2021 budget for the Fire District. Of the remaining fund balance in the amount of \$468,464.99, \$447,862.30 is reserved for planned future capital acquisitions or improvements and \$20,602.69 is reserved for encumbrances.

The general fund is the main operating fund of the Fire District. At the end of the current year, unreserved fund balance of the general fund was \$1,247,990.20, while the total fund balance was \$1,268,592.89.

The fund balance of the Fire District's general fund increased by \$56,423.98 during the current year. Key factors are as follows:

- The amount realized for miscellaneous revenues was \$102,565.08 less than the amount anticipated in the 2020 budget.
- The amount expended under the administrative budget category was \$97,607.47 less than budget appropriations. Variations in budget appropriation amounts are detailed on Exhibit C-1.
- The amount expended under the operating and maintenance budget category was \$189,569.18 less than budget appropriations. Variations in budget appropriation amounts are detailed on Exhibit C-1.
- The amount expended under the operating appropriations offset with revenues budget category was \$27.22 less than budget appropriations. Variations in budget appropriation amounts are detailed on Exhibit C-1.

The capital projects fund had a fund balance of \$456,145.30, at the end of the current year, which is an increase of \$50,000.00 in comparison with the prior year.

General Fund Budgetary Highlights

During the course of the year 2020, the Fire District modified its general fund budget in conformance with statutes.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$1,151,605.00. The original budgetary estimate was the same.

During the year 2020, the Fire District budgeted revenues as follows:

- Property taxes (local tax levy) was \$687,553.00.
- Bureau of Fire Safety under the New Jersey Fire Safety Act was in the amount of \$172,484.61 or \$47,484.61 more than anticipated. This was the result of higher than anticipated revenue from fees and penalties.
- Revenues from the rental of recreation hall in the amount of \$35,325.00 were \$94,675.00 less than anticipated. This decrease resulted primarily from the closing of banquet and recreation halls statewide due to COVID-19.

The Fire District's expenditures included payments to the state-sponsored P.E.R.S. pension system in the amount of \$30,681.00. The employees' payroll deductions for P.E.R.S. were \$16,456.70. The employer's share and the minor differences were budgeted and paid as part of the budgetary appropriation for employee benefits.

The Fire District's expenditures included payments to the state-sponsored P.F.R.S. pension system in the amount of \$16,040.46; this amount represents employees' contributions. This amount was not paid in 2020 because the State has not determined the actual employer's share as of the end of the year.

The final budgetary basis expenditures appropriation estimate was \$1,413,184.00. The original budget estimate was the same.

The final budgetary basis expenditures appropriation estimate exceeds the final budgetary basis revenue estimate by \$211,579.00. The difference was financed by unreserved fund balance.

State aid from supplemental fire safety grant was \$1,177.00.

Capital Assets and Debt Administration

Capital Assets. The Fire District’s investment in capital assets for its governmental activities as of December 31, 2020 amounts to \$2,311,422.53 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles, and firefighting equipment and fixtures. The Fire District acquired and retired capital assets during 2020.

At the end of 2020, the Fire District had \$6,897,803.12 invested in buildings and improvements, vehicles, and firefighting equipment and fixtures. The accumulated depreciation on these items was \$4,586,380.59.

**Capital Assets (Net of Accumulated Deprecation)
At December 31, 2020 and 2019**

	2020	2019
Buildings and improvements	\$ 979,779.36	\$ 1,068,278.31
Vehicles	904,507.47	1,018,710.58
Firefighting equipment and fixtures	427,135.75	272,450.72
Total capital assets	<u>\$ 2,311,422.53</u>	<u>\$ 2,359,439.61</u>

Additional information on the Fire District’s capital assets can be found in the notes to financial statements.

Long-Term Obligations. The Fire District had no outstanding serial bonds at December 31, 2020.

As of December 31, 2020, the Fire District has an obligation under a capital lease agreement in the amount of \$191,523.73; this represents installments on the lease-purchase of fire-fighting equipment. The lease obligation together with applicable interest will be paid on September 7, 2022.

The Fire District’s annual required contribution to PERS and PFRS is budgeted and paid on an annual basis. For additional details on the net pension liability see the notes to financial statements.

The Fire District has no obligation for compensated absences pertaining to unused sick time.

Economic Factors and Next Year’s Budget

For the year 2020, the Fire District was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 65.17% of total revenue is from the local tax levy, while the remaining 34.83% is from other sources.

The Board of Fire Commissioners adopted the 2021 budget on January 9, 2021 and the voters subsequently approved the budget at the annual Fire District election held on April 20, 2021.

Requests for Information

This financial report is designed to provide a general overview of the Fire District’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 Stephen W. Knobbs, Administrator, Moorestown Fire District No. 2, 225 North Lenola Road, Moorestown, New Jersey.

Basic Financial Statements

District-Wide Financial Statements

MOORESTOWN FIRE DISTRICT NO. 2
Statement of Net Position
December 31, 2020

ASSETS:

Cash and cash equivalents	\$	1,320,407.28
Accounts receivable		37,356.00
Restricted assets:		
Cash and cash equivalents		447,862.30
Capital assets, net		<u>2,311,422.53</u>
Total assets		<u>4,117,048.11</u>

DEFERRED OUTFLOWS OF RESOURCES:

Related to pensions		<u>610,213.00</u>
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LIABILITIES:

Accounts payable		142,454.95
Accrued interest payable		1,492.21
Noncurrent liabilities:		
Due within one year		94,621.67
Due beyond one year		<u>959,196.06</u>
Total liabilities		<u>1,197,764.89</u>

DEFERRED INFLOWS OF RESOURCES:

Related to pensions		<u>561,984.00</u>
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NET POSITION:

Invested in capital assets, net of related debt		2,119,898.80
Restricted for:		
Capital projects		447,862.30
Encumbrances		20,602.69
Subsequent year's expenditures		143,842.00
Unrestricted:		
Current fund		223,184.99
Capital projects fund		8,283.00
Debt service fund		<u>3,838.44</u>
Total net position	\$	<u>2,967,512.22</u>

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

MOORESTOWN FIRE DISTRICT NO. 2
Statement of Activities
For the Year Ended December 31, 2020

PROGRAM EXPENSES:

Operating appropriations:

Administration	\$ 268,728.53
Cost of operations and maintenance	582,181.74
Operating appropriations offset with revenues	120,799.78
Interest on long-term debt	6,122.57
Unallocated depreciation	266,114.24

Total program expenses	<u>1,243,946.86</u>
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PROGRAM REVENUES:

Charges for services	172,484.61
Operating grants and contributions	1,177.00

Total program revenues	<u>173,661.61</u>
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Net program expenses	<u>1,070,285.25</u>
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GENERAL REVENUES:

Taxes:

Property taxes, levied for general purposes	687,553.00
Taxes levied for debt service	99,237.00
Unrestricted investment earnings	25,559.42
Rental of recreation hall	35,325.00
Interlocal services agreement	175,602.50
Smoke detector inspection	5,053.00
Hall cleaning charges	250.00
Bank card rebate	977.03
Fire safety reports	2,750.00
False fire alarm fines	600.00
Prior year refunds	525.39
Miscellaneous income	121.47

Total general revenues	<u>1,033,553.81</u>
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OTHER ADJUSTMENTS TO NET POSITION:

Reserve for future post-retirement benefits	55,000.00
Donated assets - County of Burlington	163,264.60
Assets retired (net of depreciation)	<u>(17,349.83)</u>

Total other adjustments to net position	<u>200,914.77</u>
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Increase (decrease) in net position	164,183.33
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Net position - January 1	<u>2,803,328.89</u>
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Net position - December 31	<u>\$ 2,967,512.22</u>
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The accompanying notes to financial statements are an integral part of this statement.

Fund Financial Statements

MOORESTOWN FIRE DISTRICT NO. 2
Balance Sheet
Governmental Funds
December 31, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 1,764,431.14	\$ 0.00	\$ 0.00	\$ 3,838.44	\$ 1,768,269.58
Prepaid salaries	7,292.50	0.00	0.00	0.00	7,292.50
Accounts receivable	30,063.50	0.00	0.00	0.00	30,063.50
Due from general fund	0.00	0.00	456,145.30	0.00	456,145.30
Total assets	\$ 1,801,787.14	\$ 0.00	\$ 456,145.30	\$ 3,838.44	\$ 2,261,770.88
	\$ 41,627.81	\$ 0.00	\$ 0.00	\$ 0.00	\$ 41,627.81
	13,571.14	0.00	0.00	0.00	13,571.14
	900.00	0.00	0.00	0.00	900.00
	20,950.00	0.00	0.00	0.00	20,950.00
	456,145.30	0.00	0.00	0.00	456,145.30
Total liabilities	\$ 533,194.25	\$ 0.00	\$ 0.00	\$ 0.00	\$ 533,194.25
	0.00	0.00	447,862.30	0.00	447,862.30
	20,602.69	0.00	0.00	0.00	20,602.69
	143,842.00	0.00	0.00	0.00	143,842.00
	1,104,148.20	0.00	8,283.00	3,838.44	1,116,269.64
	1,268,592.89	0.00	456,145.30	3,838.44	1,728,576.63
Total fund balances	\$ 1,801,787.14	\$ 0.00	\$ 456,145.30	\$ 3,838.44	\$ 2,261,770.88

Amounts reported for governmental activities in the statement of net position (A-1) are different because:
Interest on long-term debt in the statement of activities is accrued regardless of when due

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,897,803.12 and the accumulated depreciation is \$4,586,380.59.

Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds

Net pension liability

Accounts payable related to the April 1, 2021 required PERS pension contribution that is not to be liquidated with current financial resources

Deferred outflows of resources - related to pensions

Deferred inflows of resources - related to pensions

(1,492.21)
2,311,422.53
(191,523.73)
(862,294.00)
(65,406.00)
610,213.00
(561,984.00)
\$ 2,967,512.22

MOORESTOWN FIRE DISTRICT NO. 2
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Miscellaneous anticipated revenues	\$ 236,486.92	\$ 0.00	\$ 0.00	\$ 0.00	\$ 236,486.92
Operating grant revenue	0.00	1,177.00	0.00	0.00	1,177.00
Miscellaneous revenues offset with appropriations	172,484.61	0.00	0.00	0.00	172,484.61
Amount to be raised by taxation to support the district budget	687,553.00	0.00	0.00	99,237.00	786,790.00
Non-budgetary revenues	10,276.89	0.00	0.00	0.00	10,276.89
Total revenues	1,106,801.42	1,177.00	0.00	99,237.00	1,207,215.42
EXPENDITURES:					
Operating appropriations:					
Administration	268,728.53	0.00	0.00	0.00	268,728.53
Cost of operations and maintenance	665,849.13	1,177.00	0.00	0.00	667,026.13
Operating appropriations offset with revenues	120,799.78	0.00	0.00	0.00	120,799.78
Debt service:					
Principal	0.00	0.00	0.00	92,394.95	92,394.95
Interest and other charges	0.00	0.00	0.00	6,842.44	6,842.44
Total expenditures	1,055,377.44	1,177.00	0.00	99,237.39	1,155,791.83
Excess (deficiency) of revenues over (under) expenditures	51,423.98	0.00	0.00	(0.39)	51,423.59
OTHER FINANCING SOURCES (USES):					
Reserve for future post-retirement benefits	55,000.00	0.00	0.00	0.00	55,000.00
Operating transfers out	(50,000.00)	0.00	50,000.00	0.00	0.00
Total other financing sources (uses)	5,000.00	0.00	50,000.00	0.00	55,000.00
Net change in fund balances	56,423.98	0.00	50,000.00	(0.39)	106,423.59
Fund balance - January 1	1,212,168.91	0.00	406,145.30	3,838.83	1,622,153.04
Fund balance - December 31	\$ 1,268,592.89	\$ 0.00	\$ 456,145.30	\$ 3,838.44	\$ 1,728,576.63

MOORESTOWN FIRE DISTRICT NO. 2
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, 2020

Total net change in fund balances - governmental funds (from B-2)	\$	106,423.59
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (266,114.24)		
Other increases in fixed assets	72,182.39		
Donated assets	<u>163,264.60</u>		(30,667.25)

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.

92,394.95

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.

719.87

Governmental funds report Fire District pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the Fire District's pension contributions in the current period.

12,662.00

Change in net position of governmental activities

\$ 181,533.16

Notes To The Financial Statements

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

Moorestown Fire District No. 2 is a political subdivision of the Township of Moorestown, County of Burlington, State of New Jersey. It was formed through the adoption of a Township ordinance. A board of 5 commissioners oversees all operations of the Fire District. The length of each commissioner's term is 3 years with the annual election held on 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 fire fighting services to the residents within its territorial location. Moorestown Fire District No. 2 has 1 fire company within its jurisdiction - the Lenola Fire Company.

The primary criterion for including activities within the Fire District's reporting entity, as set forth in Section 2100 of the GASB *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 Governmental Accounting Standards (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 to GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment to 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.

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 with the reporting entity.

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

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial statements of the Fire District have been prepared in conformity 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 more significant of the Fire District's accounting policies are described in this Note.

The Fire District's financial statements consist of district-wide statements including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

District-Wide Financial Statements - The statement of net position and the statement of activities display information about the Fire District as a whole. These statements include the financial activities of the government. The statement of net position presents the financial condition of the governmental activities of the Fire District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

Fund Financial Statements - During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, that being governmental.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's 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 fire fighting apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Concluded)

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 obligations 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.

Measurement Focus

District-Wide Financial Statements - The district-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Fire District are included on the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and use (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds uses the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Concluded)

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) taxes are susceptible to accrual, 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. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

Under the modified accrual basis, the following revenues sources are considered to be both measurable and available at year-end: grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the fire district's financial statements.

Amounts reported under "final budget" on Exhibits C-1, C-2 and I-3, includes modifications to the adopted budget that were made during the last two months of the year as approved by the Board of Commissioners.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Concluded)

Exhibit C-3 presents a reconciliation of the general fund 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

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than in the special revenue fund are reported as reservations of fund balances at year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The Moorestown Fire District No. 2 does not currently operate a full encumbrance accounting system.

Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in 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 include petty cash, change funds, cash in banks all highly liquid investments with a maturity of three months or less at the time of purchase are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments 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 governments.

Additionally, the Fire District adopted a cash management plan which requires it to deposit fund in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act. The Act was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

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 funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include state or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings and banks or associations located in another state with 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 full amount of their deposits to the governmental units.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Expenses

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

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the district-wide financial statement are recorded as expenditures when consumed rather than when purchased. As of December 31, 2020, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2020. The Fire District has prepaid expenses for salaries payable January 2021.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods and services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position.

Capital Assets

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District does not have a capitalization threshold. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

- Buildings and improvements - 40 years/20 years
- Vehicles - 20 years
- Firefighting equipment and fixtures - 10 years
- Computer equipment - 5 years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for fire districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000.00 or two percent of the assessed valuation of property, whichever is larger.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Compensated Absences

Fire District employees are entitled to paid vacation, comp-time, and sick days. Vacation days are accrued at 15 days per year. Comp-time is accrued at one and one half times the number of overtime hours worked and does not carry forward into succeeding years. Sick days are accrued at 15 to 20 days per year (depending on years of service) which carry forward into succeeding years. Unused sick days are reimbursed to employees, upon retirement, at their current rate of pay, up to a maximum of 45 days and \$15,000.00. Unused vacation days are reimbursed to employees, upon the employee leaving in good standing the employment of the Fire District, at their current rate of pay, up to a maximum of 2 years. At December 31, 2020, no employees are near retirement nor can it be reasonably estimated when the Fire District employees will retire. As a result, no liability for accumulated sick time has been recorded in these general purpose financial statements. Actual payment and funding for sick time occurs through budget appropriation in the annual operating budget on a pay-as-you-go basis.

At December 31, 2020, the liability for vested compensated absences was \$110,244.00.

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.

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deletions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the district-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 judgements, 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 fund financial statements when due.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

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 Police and Firemen's Retirement System (PFRS) and additions to/deductions from PFRS's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

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 invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. 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. 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 purchases for which both restricted and unrestricted net position are available.

Fund Balance Reserves

The Fire District reserves portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, excess surplus, and capital reserve account.

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.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statement that will become effective for the Fire District in future years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the Fire District in the year ending December 31, 2022. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Fire District.

NOTE 2 - INVESTMENTS

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statute 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statute 40A:5-15.1(a) limits investments to those specified in the Statutes. The type of allowable investments are bonds of the United States of America, the local unit, or school districts of which the local unit is a part: obligations of federal agencies not exceeding 397 days; government money market investment funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

The District's investments are categorized into the following three categories of custodial risk. The Solicitor has determined that these investments conform to the criteria established by N.J.S.A. 40A:5-15.1.

Category 1

Uninsured or collateralized with securities held by the Fire District or by its agent in the Fire District's name.

Category 2

Uninsured and unregistered with securities held by the counter-party or its trust department or agent in the Fire District's name.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 2 - INVESTMENTS (Concluded)

Category 3

Uninsured and unregistered with securities held by the counter-party or its trust department or agent but not in the Fire District's name.

At December 31, 2020, the Fire District's investments were as follows:

	<u>Category 2</u>	<u>Contract Value</u>	<u>Carrying Amount</u>
Annuity funds:			
Panorama Passage	\$ 200,608.42	\$ 200,608.42	\$ 200,608.42
Mass Mutual Odyssey	<u>624,464.89</u>	<u>624,464.89</u>	<u>624,464.89</u>
 Total investments	 <u>\$ 825,073.31</u>	 <u>\$ 825,073.31</u>	 <u>\$ 825,073.31</u>

The Fire District has invested funds in the amount of \$289,828.99. Since the purchase, with earnings reinvested and withdrawals have a contract value of \$525,249.32.

Contract values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record at contract value are recorded in the operating statement as increases or decreases in investments.

NOTE 3 - 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 District's deposits might not be recovered. Although the 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 trust funds such as salary withholdings, escrow trust, or funds that may pass to the District relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of December 31, 2020, the District's bank balances were exposed to custodial credit risk as follows:

Insured	\$ 250,000.00
Uninsured and collateralized with securities held by pledging financial institutions (GUDPA)	<u>698,508.55</u>
	<u>\$ 948,508.55</u>

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 4 - PROPERTY TAX LEVIES

The 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 Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2020	\$ 798,784,540.00	\$ 766,790.00	\$.099
2019	798,155,500.00	772,677.00	.097
2018	820,130,544.00	758,839.00	.093
2017	848,776,842.00	744,386.00	.088
2016	848,879,142.00	729,833.00	.086

NOTE 5 - RECEIVABLES

Receivables as of year-end for the Fire District's individual major funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Receivables:				
Prepaid salaries	\$ 7,292.50	\$ -	\$ -	\$ -
Other	\$ 30,063.50	\$ -	\$ -	\$ -

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 and 2019 was as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Buildings and improvements	\$ 2,765,848.19	\$ 0.00	\$ 0.00	\$ 2,765,848.19
Vehicles	2,517,744.90	0.00	0.00	2,517,744.90
Firefighting equipment and fixtures	1,400,705.31	235,446.99	21,942.27	1,614,210.03
Construction in progress	0.00	0.00	0.00	0.00
Total capital assets being depreciated	\$ 6,684,298.40	\$ 235,446.99	\$ 21,942.27	6,897,803.12
Less accumulated depreciation				4,586,380.59
				\$ 2,311,422.53

Depreciation expense was charged to governmental fund as unallocated depreciation in the amount of \$266,114.24. The total accumulated depreciation at December 31, 20120 was \$4,586,380.59. In conjunction with the above decrease in fixed assets \$45,592.44 was removed from accumulated depreciation.

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
Buildings and improvements	\$ 2,765,848.19	\$ 0.00	\$ 0.00	\$ 2,765,848.19
Vehicles	2,517,744.90	0.00	0.00	2,517,744.90
Firefighting equipment and fixtures	1,365,152.28	40,577.59	5,024.56	1,400,705.31
Construction in progress	0.00	0.00	0.00	0.00
Total capital assets being depreciated	\$ 6,648,745.37	\$ 40,577.59	\$ 5,024.56	6,684,298.40
Less accumulated depreciation				4,324,858.79
				\$ 2,359,439.61

Depreciation expense was charged to governmental fund as unallocated depreciation in the amount of \$258,668.41. The total accumulated depreciation at December 31, 2019 was \$4,324,858.79. In conjunction with the above decrease in fixed assets \$5,024.56 was removed from accumulated depreciation.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 7 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding January 1, 2020	Increases	Decreases	Principal Outstanding December 31, 2020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Obligations under lease	\$ 283,918.68	\$ -	\$ 92,394.95	\$ 191,523.73
Net pension liability	<u>576,192.00</u>	<u>399,450.00</u>	<u>113,348.00</u>	<u>862,294.00</u>
Total governmental activities long-term liabilities	<u>\$ 860,110.68</u>	<u>\$ 399,450.00</u>	<u>\$ 205,742.95</u>	<u>\$ 1,053,817.73</u>

\$94,621.67 is due within one year.

General Obligation Bonds

At December 31, 2020, the Fire District had no outstanding general obligation bonds.

Bonds Authorized and Issued or Unissued

At December 31, 2020, the Fire District had no bonds and notes authorized but not issued.

Compensated Absences

Compensated absences will be paid from the fund from which the employees salaries are paid.

Net Pension Liability

The annual required contributions to the Public Employees' Retirement System and the Police and Firemen's Retirement System are budgeted and paid from the general fund on an annual basis.

Post-employment Benefits

The annual required contribution to the post-employment benefits plan is budgeted and paid from the general fund on an annual basis.

Capital Lease Payable

The Fire District entered into a lease agreement with Pierce Manufacturing, Inc. on September 7, 2015 to lease, with the option to purchase, pumper-rescue fire apparatus. The terms of the lease call for annual installments of \$99,237.39 at 2.41% interest.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 7 - LONG-TERM OBLIGATIONS (Concluded)

The following schedule details the required lease payments:

Year	Amount
2021	\$ 99,237.39
2022	99,237.39
	198,474.78
Less: amount representing interest	6,951.05
Present value of minimum lease payments	\$ 191,523.73

NOTE 8 - OPERATING LEASE OBLIGATIONS

The Fire District leases office equipment under operating leases. The following leases were in place:

Lease #1 - Lease with Standard Digital Imaging for a Sharp Copier; for a term of 60 months beginning November 20, 2015 and ending November 15, 2020. The monthly lease payment is \$169.48 for a total of \$10,168.89. At December 31, 2020, the balance of the lease was \$0.00. The Fire District rolled the balance of this lease into Lease #2 and the balance sheet contains a reserve of \$900.00 to cover the buy out cost as the copier was lost by the new lease company from where it was stored.

Lease #2 - Lease with Canon Solutions America for a Canon Copier; for a term of 60 months beginning July 25, 2019 and ending July 25, 2024. The monthly lease payment is \$415.00 for a total of \$24,900.00. At December 31, 2020 the balance of the lease is \$17,430.00.

NOTE 9 - 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. 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, required supplementary information, and detailed information about the PERS and PFRS plans' fiduciary net position which can be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, Post Office Box 295, Trenton, New Jersey 08625-0295, <http://www.state.nj.us/treasury/pensions>.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

General Information About the Pension Plans

Plan Descriptions

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) 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's 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 pension fund or local jurisdiction's pension fund. The PERS's 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's 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.

Vesting and Benefit Provisions

Public Employees' Retirement System

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

General Information About the Pension Plans (Continued)

Vesting and Benefit Provisions (Concluded)

Police and Firemen's Retirement System

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

- Tier 1 - Members who were enrolled prior to May 22, 2010
- Tier 2 - Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- Tier 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 10 years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

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. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions 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, 2020 was 13.98% 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, 2020, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2020 was \$30,681.00, which was paid on April 1, 2021. Based on the PERS measurement date of June 30, 2019, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2019 was \$31,051.00, which was paid on April 1, 2020.

Employee contributions to the plan during the year ended December 31, 2020 were \$16,456.70.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

General Information About the Pension Plans (Continued)

Contributions (Concluded)

Police and Firemen's Retirement System

The contribution policy for PFRS is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 10.0% of base salary. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

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 disclose in the notes to the financial statements of the local participating employers related to this legislation.

The Fire District's contractually required contribution rate for the year ended December 31, 2020 was 31.12% 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.

Based on the most recent PFRS measurement date of June 30, 2020, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2020 is \$34,537.00 and was payable by April 1, 2021. Based on the PFRS measurement date of June 30, 2019, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2019 was \$0.00; therefore no payment was due by April 1, 2020.

Employee contributions to the plan during the year ended December 31, 2020 were \$16,040.22.

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, 2020 was 31.12% of the Fire District's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2020, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2020 was \$61,994.00, and was payable by April 1, 2021. Based on the PFRS measurement date of June 30, 2019, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2019 was \$0.00; therefore no payment was due by April 1, 2020.

**MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

NOTE 9 - PENSION PLANS (Continued)

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Public Employees' Retirement System

At December 31, 2020, the Fire District's proportionate share of the PERS net pension liability was \$462,844.00. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2020. 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, 2020 measurement date, the Fire District's proportion was 0.0028382479% which was a decrease of 0.0003539826% from its proportion measured as of June 30, 2019.

At December 31, 2020, the Fire District's proportionate share of the PERS pension (benefit) expense, calculated by the Plan as of the June 30, 2020 measurement date was \$30,681.00.

At December 31, 2020, the Fire District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflow Of Resources	Deferred Inflow Of Resources
Differences between expected and actual experience	\$ 8,428.00	\$ 3,056.00
Changes of assumptions	15,015.00	361,810.00
Net difference between projected and actual earnings on pension plan investments	15,820.00	-
Changes in proportion and differences between Fire District contributions and proportionate share of contributions	68,509.00	88,592.00
Fire District contributions subsequent to the measurement date	30,681.00	-
	\$ 138,821.00	\$ 453,458.00

\$30,681.00 included in deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the year ending December 31, 2021. This amount was based on an estimated April 1, 2022 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2020 to the Fire District's year end of December 31, 2020.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Concluded)

Public Employees' Retirement System (Continued)

The Fire District will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	Deferred Outflow Of Resources	Deferred Inflow Of Resources
Differences between expected and actual experience:		
Year of pension plan deferral:		
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
June 30, 2020	5.16	-
Changes of assumptions:		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
Net difference between projected and actual earnings on pension plan investments:		
Year of pension plan deferral:		
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
Changes in proportion and differences between Fire District contributions and proportionate share of contributions:		
Year of pension plan deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Public Employees' Retirement System (Concluded)

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

Fiscal Year Ending June 30,	PERS
2021	\$ (117,147.00)
2022	(106,803.00)
2023	(61,035.00)
2024	(24,682.00)
2025	(5,338.00)
	\$ (315,005.00)

Police and Firemen's Retirement System

At December 31, 2020, 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	\$ 399,450.00
State of New Jersey's proportionate share of net pension liability associated with the Fire District	61,994.00
	\$ 461,444.00

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2020. 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, 2020 measurement date, the Fire District's proportion was 0.0030914698%, which was an increase of 0.0030914698 % from its proportion measured as of June 30, 2019. Likewise, at June 30, 2020, the State of New Jersey's proportion, on-behalf of the Fire District, was 0.0030914698%, which was an increase of 0.0030914698% from its proportion, on-behalf of the Fire District, measured as of June 30, 2019.

At December 31, 2020, the Fire District's proportionate share of the PFRS pension (benefit) expense, calculated by the Plan as of the June 30, 2020 measurement date is \$34,537.00.

At December 31, 2020, the State's proportionate share of the PFRS pension (benefit) expense, associated with the Fire District, calculated by the Plan as of the June 30, 2020 measurement date is \$83,384.00. This on-behalf (benefit) expense has been recognized by the Fire District in the government-wide financial statements.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Police and Firemen's Retirement System (Continued)

At December 31, 2020, the Fire District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflow Of Resources</u>	<u>Deferred Inflow Of Resources</u>
Differences between expected and actual experience	\$ 4,027.00	\$ 1,434.00
Changes of assumptions	1,005.00	107,092.00
Net difference between projected and actual earnings on pension plan investments	23,422.00	-
Changes in proportion and differences between Fire District contributions and proportionate share of contributions	408,581.00	-
Fire District contributions subsequent to the measurement date	<u>34,537.00</u>	<u>-</u>
	<u>\$ 471,572.00</u>	<u>\$ 108,526.00</u>

\$34,537.00 included in deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the year ending December 31, 2021. This amount was based on an estimated April 1, 2022 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2020 to the Fire District's year end of December 31, 2020.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Police and Firemen's Retirement System (Continued)

The Fire District will amortize the other deferred outflows of resources and deferred inflows of resources related to PFRS over the following number of years:

	<u>Deferred Outflow Of Resources</u>	<u>Deferred Inflow Of Resources</u>
Differences between expected and actual experience:		
Year of pension plan deferral:		
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
June 30, 2019	-	5.92
June 30, 2020	5.90	-
Changes of assumptions:		
Year of pension plan deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
June 30, 2019	-	5.92
June 30, 2020	-	5.90
Net difference between projected and actual earnings on pension plan investments:		
Year of pension plan deferral:		
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
Changes in proportion and differences between Fire District contributions and proportionate share of contributions:		
Year of pension plan deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73
June 30, 2019	5.92	5.92
June 30, 2020	5.90	5.90

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Concluded)

Police and Firemen's Retirement System (Concluded)

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

Fiscal Year Ending June 30,	PFRS
2021	\$ 169,421.00
2022	114,339.00
2023	46,548.00
2024	17,584.00
2025	15,154.00
	\$ 363,046.00

Actuarial Assumptions

Public Employees' Retirement System

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation dated to the measurement date of June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases (1):	
Through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%
Investment rate of return	7.00%
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2014 - June 30, 2018

(1) Based on years of service.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

Public Employees' Retirement System (Continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging market equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
	<u>100.00%</u>	

**MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

NOTE 9 - PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

Public Employees' Retirement System (Concluded)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 was 7.00%. The single blended discount rate was based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 2.21% as of the June 30, 2020 measurement date, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Police and Firemen's Retirement System

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation dated to the measurement date of June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases (1):	
Through all future years	3.25% - 15.25%
Investment rate of return	7.00%
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2013 - June 30, 2018

(1) Based on years of service.

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Continued)

Actuarial Assumptions (Concluded)

Police and Firemen's Retirement System (Concluded)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging market equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 was 7.00%. This single blended discount rate was based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 2.21% as of June 30, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9 - PENSION PLANS (Concluded)

Sensitivity of District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Public Employees' Retirement System

The following presents the Fire District's proportionate share of the net pension liability at June 30, 2020, the plan's measurement date, calculated using a discount rate of 7.00%, as well as what the Fire District's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rates used:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Fire District's proportionate share of the net pension liability	<u>\$ 587,225.00</u>	<u>\$ 466,484.00</u>	<u>\$ 364,031.00</u>

Police and Firemen's Retirement System

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, 2020, the Plan's measurement date, for the Fire District and the State of New Jersey, calculated using a discount rate of 7.00%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Fire District's proportionate share of the net pension liability	\$ 613,637.00	\$ 461,453.00	\$ 335,052.00
State's proportionate share of the net pension liability associated with the Fire District	<u>154,358.00</u>	<u>132,903.00</u>	<u>114,936.00</u>
	<u>\$ 768,175.00</u>	<u>\$ 594,355.00</u>	<u>\$ 449,988.00</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information About the OPEB Plan

Plan Description and Benefits Provided

State Health Benefit Local Government Retired Employees Plan

The State of New Jersey, on-behalf of the Fire District, contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other post-employment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in Paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Post-Employment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey Division of Pensions and Benefits' (the "Division") Comprehensive Annual Financial Report (CAFR), which can be obtained by writing to or at the following website: State of New Jersey, Division of Pensions and Benefits, Post Office Box 295, Trenton, New Jersey 08625-0295, <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

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

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

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

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

General Information About the OPEB Plan (Concluded)

Contributions

The funding policy for the OPEB is a pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

Special Funding Situation Component - The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1997, as disclosed below. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis. Partially funded benefits are also available to local police officers and firefighters who retire with 25 years of service or on disability from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Upon retirement, these individuals must enroll in the OPEB plan.

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

Therefore, the Fire District is considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the Fire District does not contribute under this legislation directly to the Plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the Fire District is required disclose:

- a) the State's proportion (percentage) of the collective net OPEB liability that is associated with the Fire District,
- b) the State's proportionate share of the collective net OPEB liability that is associated with the Fire District, and
- c) the State's proportionate share of the OPEB expense that is associated with the Fire District.

The amount of actual contributions to the OPEB Plan made by the State, on-behalf of the Fire District, is not known, however, under the Special Funding Situation, the State's OPEB expense, on-behalf of the Fire District, is \$22,725.00 for the year ended December 31, 2020, representing 19.14% of the Fire District's covered payroll.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Liability and OPEB Expense

OPEB Liability

At December 31, 2020 the State's proportionate share of the net OPEB liability associated with the Fire District was \$1,033,366.00. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

The State's proportion of the net OPEB liability, on-behalf of the Fire District, was based on the ratio of the plan members of an individual employer to the total members of the Plan's special funding situation during the measurement period July 1, 2019 through June 30, 2020. For the June 30, 2020 measurement date, the State's proportion on-behalf of the Fire District was 0.005758% which was an increase of 0.000393% from its proportion measured as of the June 30, 2019 measurement date.

OPEB Expense

At December 31, 2020, the State's proportionate share of the OPEB expense, associated with the Fire District, calculated by the Plan as of the June 30, 2020 measurement date, was \$22,725.00. This on-behalf expense has been recognized by the Fire District in the government-wide financial statements.

Actuarial Assumptions

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2019 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate - 2.50%

Salary increases* -
 PERS

Not applicable under special funding situation

PFRS:
 Rate for all years

3.25% - 15.25%

* Salary increases are based on the years of service within the respective plan

PFRS mortality rates were based on Pub-2010 Safety classification headcount weighted mortality with fully generational morality improvement projections from the central year using Scale MP-2020.

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PFRS experience study prepared for July 1, 2013 to June 30, 2018.

100% of active members are considered to participate in the Plan upon retirement.

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. government and agency obligations, commercial paper, corporate obligations, and certificates of deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Concluded)

Actuarial Assumptions (Concluded)

Discount Rate - The discount rate used to measure the OPEB liability at June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after 7 years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after 7 years.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

As previously mentioned, the OPEB has a special funding situation where the State of New Jersey pays the Fire District's contributions for certain eligible employees. As such, the proportionate share of the net OPEB liability as of June 30, 2020, the Plan's measurement date, calculated using a discount rate of 2.21%, as well as using a discount rate that is 1.00% lower or 1.00% higher than the current rate used is as follows:

	<u>1.00% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1.00% Increase (3.21%)</u>
State of New Jersey's proportionate share of the net OPEB liability associated with the Fire District	<u>\$ 1,138,275.00</u>	<u>\$ 962,836.00</u>	<u>\$ 884,317.00</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability as of June 30, 2020, the Plan's measurement date, using healthcare cost trend rates that are 1.00% lower or 1.00% higher than the current healthcare cost trend rate is as follows:

	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1.00% Increase</u>
State of New Jersey's proportionate share of the net OPEB liability associated with the Fire District	<u>\$ 855,111.00</u>	<u>\$1,033,366.00</u>	<u>\$ 1,266,792.77</u>

OPEB Plan Fiduciary Net Position

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

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 11 - OTHER POST-RETIREMENT BENEFITS

Plan Description

The New Jersey State Health Benefits Program (SHBP) is a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the Program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Plan provides fully-insured medical and prescription drug coverage to eligible retirees and their dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for the SHBP. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, Post Office Box 295, Trenton, New Jersey 08625-0295, <http://www.state.nj.us/treasury/pensions/health-benefits>.

Funding Policy

Under individual employee contracts, the Board of Fire Commissioners agreed to provide health benefits to all employees with an employment date prior to January 1, 2008 at time of retirement. The Fire District established a reserve fund to pay the cost of employee's post-retirement health benefits. The Fire District annually budgets funds to replenish this reserve fund. The Fire District has 3 retired employees, 2 of which are covered under the SHBP in which the Fire District pays the premiums. The 3rd retired employee is not eligible to be covered under the SHBP therefore, the Fire District reimburses a proportionate share of the premiums for family coverage to the retiree.

Contributions to pay for the health premiums of participating retirees in the SHBP, are billed to the Fire District on a monthly basis. Plan members receiving benefits are not required to make contributions.

The Fire District's contributions to the SHBP for healthcare of employees and retirees for the years ended December 31, 2020, 2019, 2018, and 2017 were \$40,302.00, \$71,951.48, \$94,057.58, and \$63,477.84. The amounts paid for retirees for the years ended December 31, 2020, 2019, 2018, and 2017 were \$31,944.58, \$31,649.48, \$50,822.25 and \$49,859.60. There were 2 participants eligible to participate in the SHBP at December 31, 2020, 2019, 2018, and 2017.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 12 - 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. The Fire District maintains commercial insurance coverage for property, liability, and surety bonds.

The Fire District purchases independent insurance coverage through commercial insurance brokers covering the following:

- Property Policy
- Automobile Policy
- Crime Policy and Excess Crime Policy
- Casualty Policy
- Workers' Compensation and Excess Workers Compensation Policy
- Environmental Legal Liability Policy
- Excess Liability Policy
- Public Officials and Employment Liability Policy
- Volunteer Directors and Officers Policy

New Jersey Unemployment Compensation Insurance

The Fire District covers its employees under the New Jersey Unemployment Trust Fund by the "contributions" method. Under this method, a contribution rate is established annually for the Fire District's share of unemployment tax. This rate is based on cost experience for all government employers.

NOTE 13 - DEFERRED COMPENSATION PLAN

The Fire District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Fire District employees, permits them to defer a portion of their salary until future years. The deferred funds invested in the plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants and their beneficiaries; and are held in a custodial account as described in IRC Section 457(g). Such amounts are part of a common fund held with the assets of other Section 457 plans.

All assets of the plan are held by an independent administrator, Mass Mutual Financial Group. The deferred compensation investment fund balance as of December 31, 2020 is \$144,905.44.

At December 31, 2020, no employees are currently contributing to the deferred compensation plan.

NOTE 14 - 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.

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 14 - COMPENSATED ABSENCES (Concluded)

Fire District employees earn paid vacation, personal, and sick leave based upon individual employment contracts. Vacation may be accumulated up to a maximum of three years and any unused vacation at the end of year three is automatically forfeited. Personal days must be used in the year earned and are canceled if unused at the end of the current year. Sick leave may be accumulated to a maximum of forty-five days. At time of retirement, employees are entitled to receive compensation for earned vacation time and sick leave up to a maximum of forty-five days at current rate of pay with a maximum of \$5,000.00.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2020, the liability for compensated absences reported on the government-wide financial statement of net position was \$110,244.00.

NOTE 15 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of the following:

<u>Due From</u>	<u>Due To Capital Projects Fund</u>	<u>Total Due To</u>
General fund	\$ 436,145.30	\$ 436,145.30
Total due from	<u>\$ 436,145.30</u>	<u>\$ 436,145.30</u>

NOTE 16 - FUND BALANCES

Reserved

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

For 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, 2020, the balance is \$447,862.30.

Unreserved

The following is the status of the unreserved fund balance at December 31, 2020:

	<u>Balance December 31, 2020</u>	<u>Designated For Subsequent Year's Expenditures</u>
General fund	\$ 1,247,990.20	\$ 143,842.00
Capital projects fund	\$ 8,283.00	\$ -
Debt service fund	\$ 3,838.44	\$ -

MOORESTOWN FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 17 - LITIGATION

The Fire District is not a defendant in any legal proceedings at December 31, 2020.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events were evaluated through April 1, 2022, which is the date that the financial statements were available to be issued. As a result of the spread of the COVID-19 corona virus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the Fire District. While the impact that COVID-19 will have is currently expected to be temporary, as of the date of the financial statements, the related financial impact and duration cannot be reasonably estimated.

Required Supplementary Information - Part II

MOORESTOWN FIRE DISTRICT NO. 2
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
REVENUES:					
Miscellaneous anticipated revenues:					
Interest on investments	\$ 15,000.00	\$ 0.00	\$ 15,000.00	\$ 25,559.42	\$ 10,559.42
Rental of recreation hall	130,000.00	0.00	130,000.00	35,325.00	(94,675.00)
Shared services Moorestown Fire District No. 1	194,052.00	0.00	194,052.00	175,602.50	(18,449.50)
Total miscellaneous anticipated revenues	339,052.00	0.00	339,052.00	236,486.92	(102,565.08)
Miscellaneous revenues offset with appropriations:					
Uniform fire safety act (P.L. 1983, C. 383):					
Annual registration fees	110,000.00	0.00	110,000.00	156,875.61	46,875.61
Other revenues	15,000.00	0.00	15,000.00	15,609.00	609.00
Total miscellaneous revenues offset with appropriations	125,000.00	0.00	125,000.00	172,484.61	47,484.61
Miscellaneous revenues not anticipated:					
Smoke detector inspection fees	0.00	0.00	0.00	5,053.00	5,053.00
Hall cleaning charges	0.00	0.00	0.00	250.00	250.00
Bank card rebates	0.00	0.00	0.00	977.03	977.03
Fire safety reports	0.00	0.00	0.00	2,750.00	2,750.00
False fire alarm fines	0.00	0.00	0.00	600.00	600.00
Prior year refunds	0.00	0.00	0.00	525.39	525.39
Miscellaneous	0.00	0.00	0.00	121.47	121.47
Total miscellaneous revenues not anticipated	0.00	0.00	0.00	10,276.89	10,276.89

**EXHIBIT C-1
(Continued)**

**MOORESTOWN FIRE DISTRICT NO. 2
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Amount to be raised by taxation to support the district budget	\$ 687,553.00	\$ 0.00	\$ 687,553.00	\$ 687,553.00	\$ 0.00
Total anticipated revenues	1,151,605.00	0.00	1,151,605.00	1,106,801.42	(44,803.58)
EXPENDITURES:					
Operating appropriations:					
Administration:					
Salaries and wages:					
Commissioners	12,500.00	0.00	12,500.00	12,500.00	0.00
Administrator	56,147.00	0.00	56,147.00	56,146.92	0.08
Fringe benefits	8,260.00	0.00	8,260.00	8,379.30	(119.30)
Other expenses:					
Election	1,500.00	0.00	1,500.00	1,099.02	400.98
Insurance	98,850.00	0.00	98,850.00	83,300.96	15,549.04
Travel expenses	4,000.00	0.00	4,000.00	2,752.89	1,247.11
Professional services	17,550.00	0.00	17,550.00	18,045.90	(495.90)
Promotion	101,750.00	0.00	101,750.00	22,544.25	79,205.75
Reserve for future post-retirement benefits	55,000.00	0.00	55,000.00	55,000.00	0.00
Miscellaneous	10,779.00	0.00	10,779.00	8,959.29	1,819.71
Total administration	366,336.00	0.00	366,336.00	268,728.53	97,607.47

**EXHIBIT C-1
(Continued)**

**MOORESTOWN FIRE DISTRICT NO. 2
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Cost of operations and maintenance:					
Other expenses:					
Salaries and wages	\$ 234,784.00	\$ 0.00	\$ 234,784.00	\$ 256,272.08	\$ (21,488.08)
Fringe benefits	200,087.00	0.00	200,087.00	118,251.36	81,835.64
Fire hydrant rental and services	19,500.00	0.00	19,500.00	19,272.00	228.00
Training and education	19,070.00	0.00	19,070.00	8,942.55	10,127.45
Utilities	49,010.00	0.00	49,010.00	30,743.50	18,266.50
Purchase of assets not considered capital	80,000.00	0.00	80,000.00	78,194.01	1,805.99
Maintenance and repairs	170,858.00	0.00	170,858.00	112,675.10	58,182.90
Miscellaneous	11,500.00	0.00	11,500.00	7,870.17	3,629.83
Administrative services	3,000.00	0.00	3,000.00	3,000.00	0.00
Fire prevention materials	14,000.00	0.00	14,000.00	0.00	14,000.00
Office expenses	2,109.00	0.00	2,109.00	1,241.08	867.92
Education and seminars	9,300.00	0.00	9,300.00	6,760.71	2,539.29
Supplies expenses	7,300.00	0.00	7,300.00	3,524.49	3,775.51
Computer support and administration	3,000.00	0.00	3,000.00	1,785.00	1,215.00
Uniforms	4,000.00	0.00	4,000.00	421.90	3,578.10
Utilities	8,450.00	0.00	8,450.00	7,538.24	911.76
Miscellaneous	6,330.00	0.00	6,330.00	1,422.10	4,907.90
Aid to first aid or rescue squad:					
Contribution to vehicle replacement	20,000.00	0.00	20,000.00	20,000.00	0.00
Materials and supplies	9,550.00	0.00	9,550.00	4,364.53	5,185.47
Total cost of operations and maintenance	<u>871,848.00</u>	<u>0.00</u>	<u>871,848.00</u>	<u>682,278.82</u>	<u>189,569.18</u>

MOORESTOWN FIRE DISTRICT NO. 2
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Operating appropriations offset with revenues:					
Salaries and wages	\$ 104,990.00	\$ 0.00	\$ 104,990.00	\$ 104,990.04	\$ (0.04)
Fringe benefits	8,269.00	0.00	8,269.00	8,241.74	27.26
Other expenses:					
Administrative services	11,741.00	0.00	11,741.00	11,741.00	0.00
Total operating appropriations offset with revenues	125,000.00	0.00	125,000.00	124,972.78	27.22
Total appropriations	1,363,184.00	0.00	1,363,184.00	1,075,980.13	287,203.87
Excess or (deficit) of revenues over (under) expenditures	(211,579.00)	0.00	(211,579.00)	30,821.29	242,400.29
Other financing sources (uses) of funds:					
Reserve for future post-retirement benefits	0.00	0.00	0.00	55,000.00	55,000.00
Reserve for future capital outlay	(50,000.00)	0.00	(50,000.00)	(50,000.00)	0.00
Total other financing sources (uses) of funds	(50,000.00)	0.00	(50,000.00)	5,000.00	55,000.00

**EXHIBIT C-1
(Concluded)**

**MOORESTOWN FIRE DISTRICT NO. 2
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Excess (deficiency) of revenues over (under) expenditures	\$ (261,579.00)	\$ 0.00	\$ (261,579.00)	\$ 35,821.29	\$ 297,400.29
Fund balances - January 1	1,121,041.35	0.00	1,121,041.35	1,121,041.35	0.00
Fund balances - December 31	\$ 859,462.35	\$ 0.00	\$ 859,462.35	\$ 1,156,862.64	\$ 297,400.29
Recapitulation of excess (deficiency) of revenues over (under) expenditures:					
Reserve for future post-retirement benefits	\$ (53,842.00)	\$ 0.00	\$ (53,842.00)	\$ 55,000.00	\$ 108,842.00
Fund balance appropriated	(207,737.00)	0.00	(207,737.00)	(19,178.71)	188,558.29
	\$ (261,579.00)	\$ 0.00	\$ (261,579.00)	\$ 35,821.29	\$ 297,400.29

MOORESTOWN FIRE DISTRICT NO. 2
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Budget Favorable (Unfavorable)
REVENUES:					
Supplemental fire service grant	\$ 1,177.00	\$ 0.00	\$ 1,177.00	\$ 1,177.00	\$ 0.00
Total revenues	<u>1,177.00</u>	<u>0.00</u>	<u>1,177.00</u>	<u>1,177.00</u>	<u>0.00</u>
EXPENDITURES:					
Supplemental fire service grant	1,177.00	0.00	1,177.00	1,177.00	0.00
Total expenditures	<u>1,177.00</u>	<u>0.00</u>	<u>1,177.00</u>	<u>1,177.00</u>	<u>0.00</u>
Excess (deficiency) of revenues over (under) expenditures	0.00	0.00	0.00	0.00	0.00
Fund balance - January 1	0.00	0.00	0.00	0.00	0.00
Fund balance - December 31	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Notes To The Required Supplementary Information

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Budgetary Comparison Schedule
Note To Required Supplementary Information
For the Year Ended December 31, 2020

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	\$ 1,106,801.42	\$ 1,177.00
Difference: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	<u>0.00</u>	<u>0.00</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 1,106,801.42</u>	<u>\$ 1,177.00</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 1,075,980.13	\$ 1,177.00
Differences - budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
December 31, 2020	(20,602.69)	0.00
December 31, 2019	<u>79,592.00</u>	<u>0.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 1,134,969.44</u>	<u>\$ 1,177.00</u>

Required Supplementary Information - Part III

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Schedule of the Fire District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

	Measurement Date Ending						
	2020	2019	2018	2017	2016	2015	2014
Fire District's proportion of the net pension liability	0.0028382479%	0.0031922305%	0.0030578800%	0.0029212218%	0.0028423465%	0.0013311128%	0.0026786010%
Fire District's proportionate share of the net pension liability	\$ 462,844.00	\$ 575,192.00	\$ 602,081.00	\$ 680,014.00	\$ 841,822.00	\$ 298,808.00	\$ 501,507.00
Fire District's covered-employee payroll	\$ 219,422.00	\$ 232,953.00	\$ 192,091.57	\$ 215,440.00	\$ 202,384.00	\$ 193,011.00	\$ 105,179.00
Fire District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	210.94%	246.91%	313.43%	315.64%	415.95%	154.81%	476.81%
Plan fiduciary net position as a percentage of the total pension liability	141.02%	100.70%	100.00%	92.68%	67.05%	92.04%	97.00%

Note: 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.

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Schedule of the Fire District's Contributions
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 30,681.00	\$ 31,051.00	\$ 30,681.00	\$ 25,743.00	\$ 25,251.00	\$ 11,244.00	\$ 22,082.00
Contributions in relation to the contractually required contribution	(30,681.00)	(31,051.00)	(30,681.00)	(25,743.00)	(25,251.00)	(11,244.00)	(22,082.00)
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fire District's covered-employee payroll	S 219,422.00	S 232,953.00	\$ 192,091.57	\$ 215,440.00	\$ 202,384.00	\$ 193,011.00	\$ 105,179.00
Contributions as a percentage of Fire District's covered-employee payroll	13.98%	13.33%	15.97%	11.95%	12.48%	5.83%	20.99%

Note: 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.

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Schedule of the Fire District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System (PFRS)
Last Seven Fiscal Years

	Measurement Date Ending June 30,						
	2020	2019	2018	2017	2016	2015	2014
Fire District's proportion of the net pension liability	0.0030914698%	N/A	N/A	N/A	N/A	N/A	N/A
Fire District's proportionate share of the net pension liability	\$ 399,450.00	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability associated with the Fire District	61,994.00	N/A	N/A	N/A	N/A	N/A	N/A
Fire District's covered-employee payroll	\$ 461,444.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fire District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	\$ 110,988.00	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position as a percentage of the total pension liability	359.90%	N/A	N/A	N/A	N/A	N/A	N/A
	63.52%	N/A	N/A	N/A	N/A	N/A	N/A

Note: 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.

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Schedule of the Fire District's Contributions
Police and Firemen's Retirement System (PFRS)
Last Seven Fiscal Years

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 34,537.00	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(34,537.00)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fire District's covered-employee payroll	\$ 110,988.00	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of Fire District's covered-employee payroll	31.12%	N/A	N/A	N/A	N/A	N/A	N/A

Note: 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.

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Note to Required Supplementary Information
For the Year Ended December 31, 2020

NOTE 1 - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

Public Employees' Retirement System (PFRS)

Changes In Benefit Terms

The June 30, 2020 measurement date included two changes to the plan provisions. Chapter 157, P.L. 2019 expanded the definition of regular or assigned duties for purpose of accidental disability. The Division of Pension and Benefits (DPB) also adopted a new policy regarding the crediting of interest on member contributions for the purpose of refund of accumulated deductions.

Changes In Assumptions

The discount changed at June 30th over the following years: 5.39% for 2014, 4.90% for 2015, 3.98% for 2016, 5.00% for 2017, 5.66% for 2018, 6.28% for 2019 and 7.00% for 2020.

The long-term expected rate of return changed at June 30th over the following years: 7.90% for 2014 and 2015, 7.65% for 2016, and 7.00% for 2017, 2018, 2019 and 2020.

The mortality assumption was updated upon direction from the DPB.

Police and Firemen's Retirement System (PFRS)

Changes In Benefit Terms

None

Changes In Assumptions

The discount changed at June 30th over the following years: 6.32% for 2014, 5.79% for 2015, 5.55% for 2016, 6.14% for 2017, 6.51% for 2018, 6.85% for 2019 and 7.00% for 2020.

The long-term expected rate of return changed at June 30th over the following years: 7.90% for 2014 and 2015, 7.65% for 2016, and 7.00% for 2017, 2018, 2019 and 2020.

The mortality assumption was updated upon direction from the DPB.

Required Supplementary Information - Part IV

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Schedule of the Fire District's Proportionate Share of the Net OPEB Liability
For the Last Four Years

	Measurement Date Ending June 30			
	2020	2019	2018	2017
Fire District's proportion of the net OPEB liability	0.000000%	0.000000%	0.000000%	\$ 0.000000%
State's proportion of the net OPEB liability associated with the Fire District	<u>100.000000%</u>	<u>100.000000%</u>	<u>100.000000%</u>	<u>100.000000%</u>
	<u>100.000000%</u>	<u>100.000000%</u>	<u>100.000000%</u>	<u>100.000000%</u>
Fire District's proportionate share of the net OPEB liability \$	0.00	\$ 0.00	\$ 0.00	\$ 0.00
State's proportionate share of the net OPEB liability associated with the Fire District	<u>1,033,366.00</u>	<u>726,747.00</u>	<u>756,484.00</u>	<u>973,016.00</u>
	<u>\$ 1,033,366.00</u>	<u>\$ 726,747.00</u>	<u>\$ 756,484.00</u>	<u>\$ 973,016.00</u>
Fire District's covered payroll (plan measurement period) \$	118,757.04	\$ 111,781.82	\$ 144,828.00	\$ 97,549.98
Fire District's proportionate share of the net OPEB liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%
State's proportionate share of the net OPEB liability as a percentage of covered payroll	11.492%	15.381%	19.145%	10.026%
Plan fiduciary net position as a percentage of the total OPEB liability	2.00%	2.00%	2.01%	1.04%

Note: 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.

MOORESTOWN FIRE DISTRICT NO. 2
Required Supplementary Information
Note to Required Supplementary Information
For the Year Ended December 31, 2020

NOTE 1 - STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

Changes In Benefit Terms

The actuarial valuation as of June 30, 2019 included updates to the provisions of Chapter 48 along with newly adopted changes in different levels subsidy to employers.

Changes In Assumptions

The discount changed at June 30th over the following years: 3.58% for 2017, 3.87% for 2018, 3.50% for 2019, and 2.21% for 2020.

The expected investment rate of return is based on guidance provided by the State. These expected rates of return are the same as the discount rates listed above.

The health care trend assumption is used to project the growth of the expected claims over the lifetime of the health care recipients. Medical and prescription drug trend rates are determined by utilizing experience data, industry experience which includes surveys and Aon trend guidance. These rates are adjusted further to be appropriate with respect to the plan provisions. For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage rates for Plan Years 2019 through 2022 are reflected. For Plan Year 2023, the Medicare Advantage trend rate includes an assumed increase in the premiums based on recent experience and discussions with the Medicare Advantage vendor. The assumed post-65 medical trend is 4.50% for all future years. For prescription drug benefits, the initial trend rate is 7.00% decreasing to a 4.50% long-term trend rate after seven years.

On October 21, 2020, the Society of Actuaries (SOA) released an updated set of life expectancy mortality improvement assumptions, Scale MP-2020. The MP-2020 scale reflects more recent mortality data for the U.S. population.

Other Supplementary Information

MOORESTOWN FIRE DISTRICT NO. 2
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
December 31, 2020

REVENUES:			
Investment earnings		\$	0.00
	Total revenues		<u>0.00</u>
EXPENDITURES:			
Capital outlay			<u>0.00</u>
	Total expenditures		<u>0.00</u>
Excess (deficiency) of revenues over (under) expenditures			0.00
Other financial sources (uses):			
Operating transfers in			<u>50,000.00</u>
	Total other financial sources (uses)		<u>50,000.00</u>
Excess (deficiency) of revenues and other financial sources (uses) over(under) expenditures and other financial sources (uses)			50,000.00
Fund balance - January 1			<u>406,145.30</u>
Fund balance - December 31		\$	<u><u>456,145.30</u></u>

MOORESTOWN FIRE DISTRICT NO. 2
Capital Projects Fund
Summary Statement of Project Expenditures - Budgetary Basis
December 31, 2020

Project Title	Balance December 31, 2019	2020 Budget Appropriation	Balance December 31, 2020
Major acquisitions	\$ 397,862.30	\$ 50,000.00	\$ 447,862.30
Total reserve for capital outlay	397,862.30	50,000.00	447,862.30
Undesignated	8,283.00	0.00	8,283.00
Total fund balance	\$ 406,145.30	\$ 50,000.00	\$ 456,145.30

MOORESTOWN FIRE DISTRICT NO. 2
General Long-Term Debt Account Group
Schedule of Obligations Under Capital Leases
December 31, 2020

Description	Date of Lease	Term of Lease	Interest Rate Payable	Amount of Original Issue	Amount Outstanding December 31, 2019 (a)	Retired Current Year	Amount Outstanding December 31, 2020 (a)
Pumper-rescue fire apparatus - Pierce Manufacturing	09/07/15	7 Years	2.41%	\$ 632,260.99	\$ 283,918.68	\$ 92,394.95	\$ 191,523.73
					<u>\$ 283,918.68</u>	<u>\$ 92,394.95</u>	<u>\$ 191,523.73</u>

(a) Future interest payments are removed from outstanding balances at December 31, 2019 and 2020.

MOORESTOWN FIRE DISTRICT NO. 2
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Budget Favorable (Unfavorable)
REVENUES:					
Amount to be raised by taxation to support the district budget	\$ 99,237.00	\$ 0.00	\$ 99,237.00	\$ 99,237.00	\$ 0.00
Total revenues	<u>99,237.00</u>	<u>0.00</u>	<u>99,237.00</u>	<u>99,237.00</u>	<u>0.00</u>
EXPENDITURES:					
Principal payments:					
Capital leases	92,395.00	0.00	92,395.00	92,394.95	0.05
Interest payments:					
Capital leases	6,842.00	0.00	6,842.00	6,842.44	(0.44)
Total expenditures	<u>99,237.00</u>	<u>0.00</u>	<u>99,237.00</u>	<u>99,237.39</u>	<u>(0.39)</u>
Excess (deficiency) of revenues over (under) expenditures	0.00	0.00	0.00	(0.39)	(0.39)
Fund balance - January 1	3,838.83	0.00	3,838.83	3,838.83	0.00
Fund balance - December 31	<u>\$ 3,838.83</u>	<u>\$ 0.00</u>	<u>\$ 3,838.83</u>	<u>\$ 3,838.44</u>	<u>\$ (0.39)</u>

Schedule of Findings and Recommendations

MOORESTOWN FIRE DISTRICT NO. 2
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2020

This section identifies the reportable conditions, 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.

Current Year Audit Findings

None.

MOORESTOWN FIRE DISTRICT NO. 2
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT
For the Year Ended December 31, 2020

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 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.

Prior Year Audit Findings

None.

Appreciation

We express our appreciation for the assistance rendered and courtesies extended to us during the course of the audit.

Respectfully submitted,

Ball, Buckley and Seher

BALL, BUCKLEY AND SEHER, LLP
Woodbury, New Jersey

April 1, 2022