

**FIRE DISTRICT NO. 1
OF THE TOWNSHIP OF MIDDLE**

Financial Statements and Supplementary Information

For the year ended December 31, 2019

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Financial Statements and Supplementary Schedules
For the year ended December 31, 2019
(With Independent Auditor's Report thereon)

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Certified Public Accountants & Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of Middle
County of Cape May
Cape May Court House, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Middle, County of Cape May, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Middle, County of Cape May, State of New Jersey, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of Middle's basic financial statements. The accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis as required by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying other supplementary information is the responsibility of management and was derived from and relates 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 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020 on our consideration of the Fire District No. 1 of the Township of Middle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 1 of the Township of Middle's internal control over financial reporting and compliance.

HOLT MCNALLY & ASSOCIATES, INC.
Certified Public Accountants

September 21, 2020
Medford, New Jersey

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HOLT MCNALLY & ASSOCIATES

Certified Public Accountants & Advisors

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

Board of Fire Commissioners
Fire District No. 1 of the Township of Middle
County of Cape May
Cape May Court House, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of the Fire District No. 1 of the Township of Middle as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Fire District No. 1 of the Township of Middle's basic financial statements and have issued our report thereon dated September 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Middle'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 Fire District No. 1 of the Township of Middle's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Middle's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of Middle'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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 1 of the Township of Middle's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLT MCNALLY & ASSOCIATES, INC.

Certified Public Accountants

September 21, 2020
Medford, New Jersey

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

As management of Fire District No. 1 of the Township of Middle, we offer readers of the Fire District No. 1 of the Township of Middle's financial statements this narrative overview and analysis of the financial activities of the Fire District No. 1 of the Township of Middle for the year ended December 31, 2019. The intent of this narrative is to look at Fire District No. 1 of the Township of Middle's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 15. Notes to the financial statements will provide the reader with additional useful information and they begin on page 20.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2019 by approximately \$3.84 million. In 2018 the excess of assets over liabilities was approximately \$3.49 million. This is an increase of approximately \$353,000.
- During 2019 Fire District No. 1 of the Township of Middle operated at a surplus of approximately \$353,000. In 2018 the district operated at a surplus of approximately \$455,100.
- The District decreased their liabilities by approximately \$200,000 in 2019, and increased their total assets by approximately \$162,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 1 of the Township of Middle's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 8. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on all the assets and liabilities of Fire District No. 1 of the Township of Middle. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Fire District No. 1 of the Township of Middle has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Fire District No. 1 of the Township of Middle provides firefighting services to the citizens of Middle Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Fire District No. 1 of the Township of Middle uses fund accounting to document compliance with finance-related legal matters. Fire District No. 1 of the Township of Middle has one type of fund, which is the governmental funds.

Governmental Funds

Fire District No. 1 of the Township of Middle's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Fire District No. 1 of the Township of Middle maintains three separate government funds, the General Fund, Capital Projects Fund and the Debt Service Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital fund.

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

As required by N.J.S.A. 40A:14:78-3, Fire District No. 1 of the Township of Middle adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

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

DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 1 of the Township of Middle's net position is a useful indicator of the District's financial condition. At the end of 2019, the District's assets exceeded its liabilities by approximately \$3.84 million. The largest portion of Fire District No. 1 of the Township of Middle's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 1 of the Township of Middle's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt. As of December 31, 2019 the District had approximately \$4.16 million of debt.

Statement of Net Position

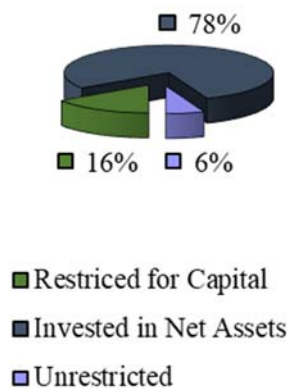
FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE NET POSITION DECEMBER 31, 2019

	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 3,077,877	\$ 3,669,812	\$ (591,935)	-16.1%
Capital assets	<u>7,173,551</u>	<u>6,427,849</u>	745,702	11.6%
Total assets	10,251,428	10,097,661	153,767	1.5%
Total liabilities	<u>(6,407,545)</u>	<u>(6,606,731)</u>	199,186	-3.0%
Net position	<u>\$ 3,843,883</u>	<u>\$ 3,490,930</u>	\$ 352,953	10.1%

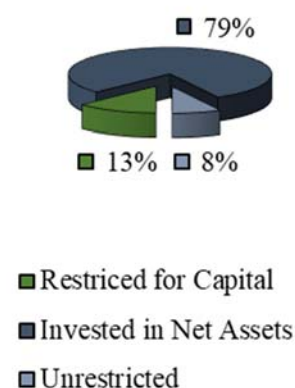
Analysis of net position

Investment of capital assets, net of related debt	\$ 3,016,903	\$ 2,769,979	\$ 246,924	8.9%
Restricted for:				
Capital projects	600,000	450,000	150,000	33.3%
Unrestricted	<u>226,980</u>	<u>270,951</u>	(43,971)	-16.2%
Total net position	<u>\$ 3,843,883</u>	<u>\$ 3,490,930</u>	\$ 352,953	10.1%

2019 Net Position



2018 Net Position



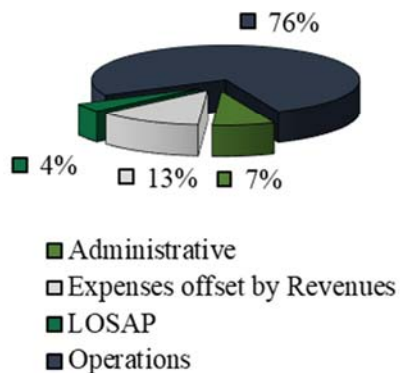
The net position of Fire District No. 1 of the Township of Middle increased approximately \$337,000 as a result of the current year surplus. The District added approximately \$999,000 of capital assets during the year. In 2019 the capital assets increased by approximately \$746,000 after depreciation expense.

Governmental Activities

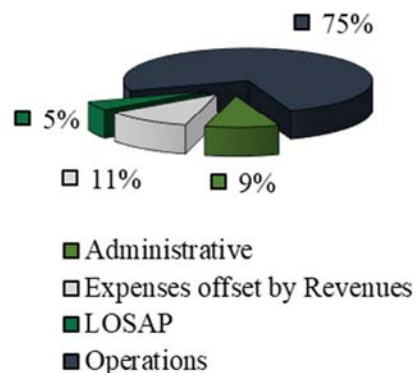
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

Expenses:	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Program expenses:				
Administrative expenses	\$ 89,748	\$ 106,559	\$ (16,811)	-15.8%
Cost of operations and maintenance	908,146	829,566	78,580	9.5%
Operating appropriations offset with revenue	150,000	124,839	25,161	20.2%
Length of service award program contribution	48,076	51,270	(3,194)	-6.2%
Total expenses	<u>\$ 1,195,970</u>	<u>\$ 1,112,234</u>	\$ 83,736	7.5%

2019 Program Expenses



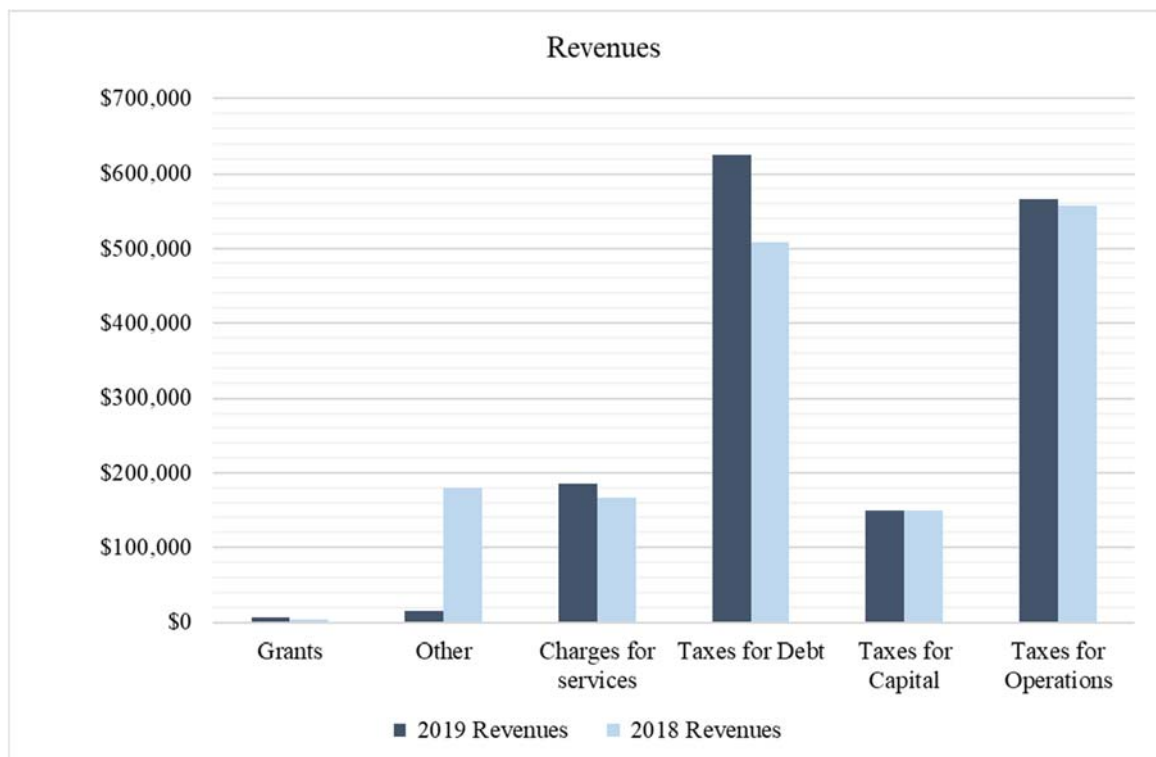
2018 Program Expenses



Revenues:	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Program revenues:				
Charges for service	\$ 185,645	\$ 167,350	18,295	10.9%
Total program revenues	<u>185,645</u>	<u>167,350</u>	18,295	10.9%
Net program expenses	<u>\$ 1,010,325</u>	<u>\$ 944,884</u>	65,441	6.9%

Governmental Activities (continued)

	<u>2019</u>	<u>2018</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Revenues:				
General revenues:				
Property taxes levied for:				
General purposes	\$ 566,235	\$ 557,362	8,873	1.6%
Capital	150,000	150,000	-	0.0%
Debt service	624,702	508,921	115,781	22.8%
Total property taxes levied	<u>1,340,937</u>	<u>1,216,283</u>	124,654	10.2%
Other revenue	15,612	180,346	(164,734)	-91.3%
Operating grant revenue	6,729	3,365	3,364	100.0%
Total general revenues	<u>1,363,278</u>	<u>1,399,994</u>	(36,716)	-2.6%
Increase (decrease) in net position	352,953	455,110	(102,157)	-22.4%
Net position, January 1	3,490,930	3,035,820	455,110	15.0%
Net position, December 31	<u>\$ 3,843,883</u>	<u>\$ 3,490,930</u>	352,953	10.1%



Property tax revenue constituted 87% of the total governmental activities revenues received by Fire District No. 1 of the Township of Middle in 2019. In 2018 the property tax revenue also constituted 78% of total revenues.

The Cost of Operations & Maintenance was 76% and 75% of the District's total expenses in 2019 and 2018 respectively. Administration expenses equaled 8% and 10% of the total expenses in 2019 and 2018 respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 1 of the Township of Middle uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

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

As of December 31, 2019, the combined balance of the governmental cash funds of Fire District No. 1 of the Township of Middle was approximately \$1,268,397. This balance is approximately \$938,000 lower than last year's combined governmental funds balance. The decrease is due primarily to the use of cash held by trustee for the capital lease purchase in the current year.

The combined balance of the governmental funds of Fire District No. 1 of the Township of Middle was approximately \$2.9 million. Unassigned fund balance amounted to approximately \$653,397 of that total. Funds of \$15,000 have been designated for use in the 2020 Budget.

The general fund is the main operating fund of Fire District No. 1 of the Township of Middle. At the end of 2019, the total fund balance of the general fund was approximately \$2.3 million. Of this balance, \$653,397 of it was unreserved.

During 2019 the general fund balance of Fire District No. 1 of the Township of Middle increased by approximately \$333,000. The primary reasons for this increase are as follows:

- The Board had revenues of over \$335,000 attributable to investments in the length of service award program.

At the end of 2019, the District had a capital projects fund balance of \$600,000. This is an increase of \$150,000.

- The Board appropriated \$150,000 for future capital purchases.

General Fund Budgetary Highlights

The Board assumes the responsibilities of the Uniform Fire Safety Act (UFSA) in the District. UFSA revenues are a factor of enforcement. The fees charged in 2019 were approximately 11.85% of the operating revenues.

The 2019 Budget had a surplus in revenues, including the utilization of unrestricted surplus accumulated from prior years in the amount of \$153,500.

The District had total revenues in excess of expenditures of approximately \$115,000 in 2019, and a surplus in 2018 of approximately \$222,000. The year ending December 31, 2020 is expected to generate a surplus.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019 Fire District No. 1 of the Township of Middle had invested in capital assets for government activities of approximately \$7,173,551 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$999,000 of equipment in 2019.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2019

	2019	2018	\$ Increase (Decrease)
Capital assets:			
Land	\$ 1,719,445	\$ 1,719,445	-
Buildings and improvements	5,289,719	5,289,719	-
Equipment	<u>5,263,597</u>	<u>4,264,558</u>	999,039
Total capital assets	12,272,761	11,273,722	999,039
Accumulated depreciation	<u>(5,099,210)</u>	<u>(4,845,873)</u>	(253,337)
Total capital assets, net	<u>\$ 7,173,551</u>	<u>\$ 6,427,849</u>	745,702

Additional information on Fire District No. 1 of the Township of Middle's capital assets can be found in Note 5 in the notes to the financial statements.

Long-Term Obligations

In 2013, Fire District No. 1 of the Township of Middle entered into a lease agreement with Pierce Manufacturing to finance a 2013 Pierce Pumper Tanker, in the approximate amount of \$562,200, with an annual interest rate of 5%.

In 2016, Fire District No. 1 of the Township of Middle issued \$3,750,000 of general obligation bonds to refund outstanding callable bonds. The principal payments are paid annually, plus interest, paid semi-annually for ten years. The District had \$2,875,000 of long term debt of serial bonds payable at December 31, 2019.

In 2019, Fire District No. 1 of the Township of Middle entered into a lease agreement with Rosenbauer to finance a 2019 fire truck, in the approximate amount of \$999,039, with an annual interest rate of 3.41%.

As of December 31, 2019, the District had approximately \$1,000,400 of long-term debt related to capital lease obligations.

As a result of the implementation of GASB 68 the District has noncurrent pension liabilities of approximately \$367,150.

During 2017, District has adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not Within the Scope of GASB Statement No. 68* for the year ended December 31, 2017. The adoption of this principle resulted in the District recognizing approximately \$1.34 million in long-term debt related to the District's length of service award program. At December 31, 2019 long-term debt related to the District's length of service award program was approximately \$1.63 million.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2019, Fire District No. 1 of the Township of Middle was able to cover all its appropriations through the fire tax levy and other revenues. In 2019 the fire tax levy amounted to 86.57% of total revenue collected.

Fire District No. 1 of the Township of Middle adopted their 2020 budget on January 13, 2020. The voters subsequently voted to approve the budget at the February election. The 2020 adopted budget reflected an increase in the tax levy of \$129,901.

The Board anticipates a zero increase per \$100 of assessed value for the 2020 fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$197.50 in 2020 for fire protection.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 1 of the Township of Middle's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Fire District No. 1 of the Township of Middle, Cape May Court House, New Jersey 08210.

EXHIBIT A-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Statement of Net Position
December 31, 2019

	Governmental Activities December 31, 2019
ASSETS:	
Cash and Cash Equivalents	\$ 1,268,397
Investment in length of service award program (Note 4)	1,625,287
Capital assets, Net (Note 5)	
Nondepreciable	1,719,455
Depreciable	5,454,096
Total Assets	<u>10,067,235</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Related to pensions (Note 8)	94,214
Related to loss on debt refunding	89,979
Total Deferred Outflows of Resources	<u>184,193</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 10,251,428</u></u>
LIABILITIES:	
Current liabilities:	
Accrued interest	\$ 70,112
Due to other governments	19,820
Noncurrent Liabilities (Note 6):	
Due within one year	520,462
Due in more than one year	5,628,620
Total Liabilities	<u>6,239,014</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions (Note 8)	168,531
Total Deferred Inflows of Resources	<u>168,531</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,407,545</u>
NET POSITION:	
Net investments in capital assets	3,016,903
Restricted for:	
Capital Projects	600,000
Unrestricted	226,980
Total Net Position	<u>3,843,883</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 10,251,428</u></u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Statement of Activities
December 31, 2019

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities December 31, 2019</u>
Government activities:			
Operation appropriations:			
Administration	\$ 89,748	\$ -	\$ (89,748)
Costs of operations and maintenance	758,988	-	(758,988)
Operating appropriations offset with revenues	150,000	(185,645)	35,645
Interest and other charges	149,158	-	(149,158)
Length of service award program contribution	48,076	-	(48,076)
	<u>1,195,970</u>	<u>(185,645)</u>	<u>(1,010,325)</u>
Total government activities			
General revenues:			
Miscellaneous revenue			15,612
Operating grant revenues			6,729
Amount raised by taxation			<u>1,340,937</u>
Total general revenues			<u>1,363,278</u>
Change in net position			352,953
Net position, January 1			<u>3,490,930</u>
Net position, December 31			<u><u>\$ 3,843,883</u></u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Governmental Funds
Balance Sheet
December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total December 31, 2019</u>
Assets:				
Current assets:				
Cash	\$ 1,268,397	\$ -	\$ -	\$ 1,268,397
Interfund receivable	-	600,000	-	600,000
Total current assets	<u>1,268,397</u>	<u>600,000</u>	<u>-</u>	<u>1,868,397</u>
Noncurrent assets				
Investment in length of service award program	1,625,287	-	-	1,625,287
Total noncurrent assets	<u>1,625,287</u>	<u>-</u>	<u>-</u>	<u>1,625,287</u>
Total assets	<u>\$ 2,893,684</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 3,493,684</u>
Liabilities, equity and other credits:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable	600,000	-	-	600,000
Total liabilities	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
Fund balances:				
Restricted for:				
Capital	-	600,000	-	600,000
Investment in length of service award program	1,625,287	-	-	1,625,287
Assigned for:				
Subsequent year's expenditures	15,000	-	-	15,000
Unassigned, reported in:				
General fund	653,397	-	-	653,397
Total fund balance	<u>2,293,684</u>	<u>600,000</u>	<u>-</u>	<u>2,893,684</u>
Total liabilities and fund balance	<u>\$ 2,893,684</u>	<u>\$ 600,000</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$12,272,761 and the accumulated depreciation is \$5,099,210.	7,173,551
Accrued interest not recorded in current financial statements.	(70,112)
Accrued PERS pension payable are not recorded in the fund financial statements due to the fact that payables are not due in the period.	(19,820)
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	15,662
Long-term liabilities, including net pension liability, bonds payable and investment in length of service award program payable are not due and payable in the current period and are therefore not reported as liabilities in the funds.	(6,149,082)
Net position of governmental activities	<u>\$ 3,843,883</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals December 31, 2019</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 1,592	\$ -	\$ -	\$ 1,592
Investment income - length of service award program	335,179	-	-	335,179
Other revenue	14,020	-	-	14,020
Total miscellaneous revenues	<u>350,791</u>	<u>-</u>	<u>-</u>	<u>350,791</u>
Operating grant revenues:				
Supplemental fire service act	<u>6,729</u>	<u>-</u>	<u>-</u>	<u>6,729</u>
Total operating grant revenue	<u>6,729</u>	<u>-</u>	<u>-</u>	<u>6,729</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	183,468	-	-	183,468
Penalties and fines	<u>2,177</u>	<u>-</u>	<u>-</u>	<u>2,177</u>
Total uniform fire safety act revenues	<u>185,645</u>	<u>-</u>	<u>-</u>	<u>185,645</u>
Total miscellaneous revenues offset with appropriations	<u>185,645</u>	<u>-</u>	<u>-</u>	<u>185,645</u>
Total revenues	<u>543,165</u>	<u>-</u>	<u>-</u>	<u>543,165</u>
Amount raised by taxation to support district budget	<u>566,235</u>	<u>150,000</u>	<u>624,702</u>	<u>1,340,937</u>
Total anticipated revenues	<u>1,109,400</u>	<u>150,000</u>	<u>624,702</u>	<u>1,884,102</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	30,000	-	-	30,000
Other expenditures:				
Insurance	19,348	-	-	19,348
Permits, licenses and fees	311	-	-	311
Professional fees	20,453	-	-	20,453
Advertising	207	-	-	207
Promotion	3,753	-	-	3,753
Elections	3,426	-	-	3,426
Membership/dues	4,570	-	-	4,570
Office supplies	<u>7,680</u>	<u>-</u>	<u>-</u>	<u>7,680</u>
Total administration	<u>89,748</u>	<u>-</u>	<u>-</u>	<u>89,748</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Totals December 31, 2019
Cost of operations and maintenance:				
Salaries and wages	7,941	-	-	7,941
Fringe	36,087	-	-	36,087
Other expenditures:				
Maintenance and repairs	168,583	-	-	168,583
Rental charges	104,662	-	-	104,662
Fire protection services	110,000	-	-	110,000
Other outside services	8,519	-	-	8,519
Training and education	5,090	-	-	5,090
Uniforms	7,499	-	-	7,499
Operating materials and supplies	5,310	-	-	5,310
Oil and fuel	8,129	-	-	8,129
Utilities	50,207	-	-	50,207
Other non-bondable assets	9,675	-	-	9,675
Total cost of operations and maintenance	521,702	-	-	521,702
Operating appropriations offset with revenues:				
Salaries and wages	130,000	-	-	130,000
Fringe benefits	20,000	-	-	20,000
Total operating appropriations offset with revenues	150,000	-	-	150,000
Length of service award program				
Administrative fees	1,050	-	-	1,050
Participant withdrawals	13,529	-	-	13,529
Total length of service award program	14,579	-	-	14,579
Total operating appropriations	776,029	-	-	776,029
Capital expenditures	-	999,039	-	999,039
Debt service for capital appropriations:				
Bond obligations	-	-	295,000	295,000
Interest on bond obligations	-	-	120,900	120,900
Capital leases	-	-	170,105	170,105
Interest on capital leases	-	-	38,697	38,697
Total debt service for capital appropriations	-	-	624,702	624,702
Total governmental expenditures	776,029	999,039	624,702	2,399,770
Other financing sources and uses:				
Proceeds from capital lease	-	999,039	-	999,039
Total other financing sources and uses:	-	999,039	-	999,039
Excess of revenues over expenditures	333,371	150,000	-	483,371
Fund Balance, January 1	1,960,313	450,000	-	2,410,313
Fund balance, December 31	\$ 2,293,684	\$ 600,000	\$ -	\$ 2,893,684

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2019

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	483,371
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Amounts reported for governmental activities in the statement of activities (A-2) are difference 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.

Capital Outlays-General Fund	999,039		
Depreciation Expense	<u>(253,337)</u>		745,702

Proceeds from capital lease issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases longer-term liabilities in the statement of activities.		(999,039)
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Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	56,642		
Current year	<u>(70,112)</u>		(13,470)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. Principal payments made on long-term liabilities during the year ended December 31, 2019 consist of the following:

Bond repayment	295,000		
Capital lease	<u>170,105</u>		465,105

Deferred charge on retirement of debt, cost of issuance on refunding, and original issue premiums are recorded when incurred in the governmental funds but are deferred and recognized in the statement of activities over the life of the refunding:

Amortization of Loss on Early Retirement of Debt	(11,247)		
Amortization of Bond Premiums	<u>35,156</u>		23,909

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

Pension expense	<u>16,051</u>		16,051
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Length of service award program contribution is not reported in the governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government-wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

District contribution to length of service award program	(48,076)		
Appreciation in fair value of investments	(335,179)		
Administrative fees	1,050		
Participant withdrawals	<u>13,529</u>		(368,676)

Changes in net position of governmental activities	\$	<u><u>352,953</u></u>
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FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of Middle is a political subdivision of the Township of Middle, County of Cape May, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of February.

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

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

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

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

B. District Officials

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

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Keith P. Arenberg	2021
Lewis Hand	2019
Michael R. McNulty Sr.	2020
Joseph Trombetta	2021
Philip Woodrow	2019

C. Accounting Records

The official accounting records of the Fire District No. 1 of the Township of Middle are maintained in the office of the District.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units. The District had no component units as of for the year ended December 31, 2019.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. 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 District's accounting policies are described below.

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

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

B. Fund Accounting

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

Governmental Funds:

General Fund

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. 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.

Capital Projects Fund

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

Debt Service Fund

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

The district-wide financial statements (A-1 and A-2) report information of all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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

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

D. Basis of Accounting

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

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

In its accounting and financial reporting, the Fire District No. 1 of the Township of Middle follows the pronouncements of the Governmental Accounting Standards Board (GASB).

E. Budgets and Budgetary Accounting

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 adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the fire district.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets and Budgetary Accounting (continued)

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.

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 Districts general-purpose financial statements.

F. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There was no encumbrances as of December 31, 2019.

G. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which are federally insured.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents (continued)

All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If 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.

H. Prepaid Expenses

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

I. Debt Limitation

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

J. Capital Assets

Capital assets, which include land, building, improvements and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000.

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

Building and Improvements	5 to 40 Years
Equipment	5 to 15 Years

K. Inventory, Materials and Supplies

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

L. Interfund Receivable/Payable

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Revenues and Expenditures

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

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

N. Fire District Taxes

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

O. Deferred Outflows and Deferred Inflows of Resources

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

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

P. Pension

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 pension plan's fiduciary net position and additions to/deductions from the plan'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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Middle classifies governmental fund balances as follows:

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

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

R. Net Position

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

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

S. Use of Estimates

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the year ended December 31, 2019:

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following effective dates have been updated to reflect the implementation of Statement No. 95.

Recently Issued Accounting Pronouncements

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

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the District's financial statements.

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

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Impact of Recently Issued Accounting Principles

debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. This statement had no material impact on the District's financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Statement No. 90 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the District's financial statements.

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

U. Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Fair Value Measurement (continued)

hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

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

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

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

Fixed Account Investment Contract: Valued at the contract's market value as reported by the insurance company.

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

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2019.

V. Subsequent Events

Fire District No. 1 of the Township of Middle has evaluated subsequent events occurring after December 31, 2019 through the date of September 21, 2020, which is the date the financial statements were available to be issued. Other than the following, no items have come to the attention of the District that would require disclosure.

COVID-19

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic by the World Health Organization and is currently affecting many parts, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Subsequent Events (continued)

States Health and Human Services Department declared a public health emergency for the United States and, on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

In New Jersey, Governor Murphy by way of executive orders, has ordered, among other things: all State residents to remain home or at their place of residence unless they meet one or more enumerated exceptions; all State residents to practice social distancing; gatherings of individuals, such as parties, celebrations and social events, are cancelled; non-essential businesses to cease operations from 8:00 p.m. to 5:00 a.m.; all restaurants and bars to close except for delivery or takeout services; casinos, racetracks, gyms and fitness centers and entertainment centers to close; all county and municipal libraries to close; all business and non-profits to accommodate telework or work-from-home arrangements; the cessation of all non-essential construction projects; an extension of insurance premium grace periods; all Pre-K through 12 schools to close; all universities and colleges in the State to cease in-person instruction; The District expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread of and impacts of COVID-19.

The District cannot reasonably predict how long and in what manner the outbreak may impact its financial condition or operations.

NOTE 3: CASH AND CASH EQUIVALENTS

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2019, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,268,397
Total deposits	<u>\$ 1,268,397</u>
Reconciliation to Governmental Fund Statements:	
Governmental Funds:	
General fund: Cash	\$ 1,268,397
Total	<u>\$ 1,268,397</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, the District's bank balance of \$1,309,936 was insured or collateralized as follows:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Insured	\$ 500,000
Collateralized in the District's name under GUDPA	<u>809,936</u>
Total	<u>\$ 1,309,936</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2019, are provided in the below schedule.

C. Investment Credit Risk

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

As of December 31, 2019, the Fire District had the following investments and maturities:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 4: INVESTMENTS (continued)

	Assets at Fair Value as of December 31, 2019			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
LOSAP:				
Mutual funds	\$ 1,451,100	\$ -	\$ -	\$ 1,451,100
Fixed Investment Account	<u>-</u>	<u>-</u>	<u>174,187</u>	<u>174,187</u>
Total assets at fair value	<u>\$ 1,451,100</u>	<u>\$ -</u>	<u>\$ 174,187</u>	<u>\$ 1,625,287</u>

Level III Gains and Losses

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2019:

	<u>Level III Assets</u> <u>Year Ended</u> <u>December 31, 2019</u>
Balance, beginning of year	\$ 135,187
Purchases, sales, issuances and settlements (net)	34,157
Gains & (Losses)	<u>4,843</u>
Balance, end of year	<u>\$ 174,187</u>

NOTE 5: CAPITAL ASSETS

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

Capital assets consisted of the following at December 31, 2019:

	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/19</u>
Governmental activities				
Capital assets				
Capital assets that are not being depreciated				
Land	<u>\$ 1,719,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719,445</u>
Total capital assets that are not being depreciated	<u>1,719,445</u>	<u>-</u>	<u>-</u>	<u>1,719,445</u>
Building and improvements	5,289,719	-	-	5,289,719
Equipment	<u>4,264,558</u>	<u>999,039</u>	<u>-</u>	<u>5,263,597</u>
Total capital assets being depreciated	<u>9,554,277</u>	<u>999,039</u>	<u>-</u>	<u>10,553,316</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 5: CAPITAL ASSETS (continued)

Less: accumulated depreciation

Buildings and improvements	(1,590,862)	(141,544)	-	(1,732,406)
Equipment	<u>(3,255,011)</u>	<u>(111,793)</u>	<u>-</u>	<u>(3,366,804)</u>
Total accumulated depreciation	<u>(4,845,873)</u>	<u>(253,337)</u>	<u>-</u>	<u>(5,099,210)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>4,708,404</u>	<u>745,702</u>	<u>-</u>	<u>5,454,106</u>
Total capital assets	<u>\$ 6,427,849</u>	<u>\$ 745,702</u>	<u>\$ -</u>	<u>\$ 7,173,551</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2019, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>12/31/18</u>	<u>Accrued/</u> <u>increases</u>	<u>(Retired)/</u> <u>(decreases)</u>	<u>Balance</u> <u>12/31/19</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
General serial bonds	\$ 3,170,000	\$ -	\$ (295,000)	\$ 2,875,000	\$ 310,000
Unamortized bond premium	316,404	-	(35,156)	281,248	35,156
Obligations under capital lease	171,466	999,039	(170,105)	1,000,400	175,306
Net pension liability	371,391	-	(4,244)	367,147	-
Net length of service awards program liability	<u>1,256,612</u>	<u>368,675</u>	<u>-</u>	<u>1,625,287</u>	<u>-</u>
Total	<u>\$ 5,285,873</u>	<u>\$ 999,039</u>	<u>\$ (504,505)</u>	<u>\$ 6,149,082</u>	<u>\$ 520,462</u>

A. Bonds Payable

On February 10, 2016, District issued refunding bonds in the amount of \$3,750,000 for the refunding of the 2007 general obligation bonds.

Principal and interest due on bonds outstanding is as follows:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 310,000	\$ 108,800	\$ 418,800
2021	325,000	96,100	421,100
2022	335,000	82,900	417,900
2023	350,000	69,200	419,200
2024	370,000	54,800	424,800
2025-2027	<u>1,185,000</u>	<u>72,300</u>	<u>1,257,300</u>
Total	<u>\$ 2,875,000</u>	<u>\$ 484,100</u>	<u>\$ 3,359,100</u>

B. Capital Leases Payable

On March 4, 2013, the District entered into a lease agreement with Peirce Manufacturing to finance a 2013 Pierce Pumper Tanker Truck in the amount of \$595,945. On May 25, 2018, the District entered into a lease agreement with Rosenbauer to finance a 2018 apparatus unit in the amount of \$1,195,815. The following schedule represents a summary of the capital lease commitment as of December 31, 2019:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 6: LONG-TERM OBLIGATIONS (continued)

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 175,306	\$ 33,497	\$ 208,803
2021	91,446	28,136	119,582
2022	94,564	25,018	119,582
2023	97,789	21,793	119,582
2024	101,123	18,459	119,582
2025-2028	<u>440,172</u>	<u>38,154</u>	<u>478,326</u>
Total	<u>\$ 1,000,400</u>	<u>\$ 165,057</u>	<u>\$ 1,165,457</u>

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM

The District's length of service awards program ("LOSAP"), which is reported in the District's general fund, pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters serving the residents the Township of Middle come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Contributions – if an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,717 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute up to a maximum amount of \$1,717 for the year ended December 31, 2019, per eligible volunteer, into the Plan. During the year ended December 31, 2019, the District contributed a total of \$48,076 to the A plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts – Each participant's account is credited with the District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the Plan Administrator. Lincoln Financial Group ("Plan Administrator"), an approved Length of Service

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Awards Program provider, is the administrator of the Plan. The District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

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

Payment of Benefits – Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2019, payouts of \$13,529 were made to vested participants.

Forfeited Accounts – There were forfeitures of \$-0- during the year ended December 31, 2019.

Investments – The investments of the length of service awards program reported on the governmental funds balance sheet are recorded at fair value.

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

NOTE 8: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

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

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2019, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2019, the District's contractually required contribution to PERS plan was \$19,820.

Components of Net Pension Liability - At December 31, 2019, the District's proportionate share of the PERS net pension liability was \$367,147. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

participating employers' contributions for the year ended June 30, 2019. The District's proportion measured as of June 30, 2019, was 0.0020376158% which was an increase of 0.0001513758% from its proportion measured as of June 30, 2018.

Balances at December 31, 2019 and December 31, 2018

	<u>12/31/2019</u>	<u>12/30/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2019	June 30, 2018
Deferred Outflows of Resources	\$ 94,214	\$ 102,160
Deferred Inflows of Resources	168,531	189,342
Net Pension Liability	367,147	371,391
District's portion of the Plan's total Net Pension Liability	0.00204%	0.00189%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2019, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 measurement date is \$2,711.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 6,590	\$ 1,622
Changes of Assumptions	36,661	127,436
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	5,796
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	<u>50,963</u>	<u>33,677</u>
	<u>\$ 94,214</u>	<u>\$ 168,531</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<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, 2014	-	-
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	-
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
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between 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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

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

Year Ending <u>Dec 31,</u>	<u>Amount</u>
2020	\$ (19,659)
2021	(14,132)
2022	(30,131)
2023	(10,294)
2024	<u>(101)</u>
	<u><u>\$ (74,317)</u></u>

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Years of Service
Thereafter	3.00 - 7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	
PERS	Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

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-2019.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
District's Proportionate Share of the Net Pension Liability	\$ 466,993	\$ 367,147	\$ 287,720

NOTE 9: INTERFUND RECEIVABLE/PAYABLE

The purpose of the interfunds is for short-term borrowing. As of December 31, 2019, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 600,000
Capital projects	600,000	-
Totals	<u>\$ 600,000</u>	<u>\$ 600,000</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 10: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2019, the fire tax rate on the Fire District No. 1 was approximately \$.079 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of \$6,729.

NOTE 11: FUND BALANCE

General Fund – Of the \$2,293,684 General Fund fund balance at December 31, 2019, \$1,625,287 has been restricted for length of service award program; \$15,000 has been assigned to be designated for subsequent year's expenditures; and \$653,397 is unassigned.

Capital Projects Fund - Of the \$600,000 Capital Projects Fund fund balance at December 31, 2019, \$600,000 has been restricted for future capital purchases.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Budgetary Comparison Schedule
December 31, 2019

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 400	\$ 400	\$ 1,592	\$ 1,192
Other revenue	-	-	14,020	14,020
Total miscellaneous revenues	400	400	15,612	15,212
Operating grant revenues:				
Supplemental fire service act	3,365	3,365	6,729	3,364
Total operating grant revenue	3,365	3,365	6,729	3,364
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	145,000	145,000	183,468	38,468
Penalties and fines	5,000	5,000	2,177	(2,823)
Total uniform fire safety act revenues	150,000	150,000	185,645	35,645
Total miscellaneous revenues offset with appropriations	150,000	150,000	185,645	35,645
Amount raised by taxation to support district budget	1,340,937	1,340,937	1,340,937	-
Total anticipated revenues	1,494,702	1,494,702	1,548,923	54,221
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	30,000	30,000	30,000	-
Other expenditures:				
Insurance	45,000	20,000	19,348	652
Permits, licenses and fees	1,000	1,000	311	689
Professional fees	23,000	23,000	20,453	2,547
Advertising	2,000	2,000	207	1,793
Promotion	4,000	4,000	3,753	247
Elections	3,500	3,500	3,426	74
Membership/dues	3,500	5,500	4,570	930
Office supplies	6,000	6,000	7,680	(1,680)
Total administration	118,000	95,000	89,748	5,252
Cost of operations and maintenance:				
Salaries and wages	9,000	9,000	7,941	1,059
Fringe	59,000	54,000	36,087	17,913
Other expenditures:				
Maintenance and repairs	155,000	180,000	168,583	11,417
Rental charges	100,000	105,000	104,662	338
Fire protection services	110,000	110,000	110,000	-
Other outside services	9,000	9,000	8,519	481
Training and education	6,000	6,000	5,090	910
Uniforms	8,000	8,000	7,499	501
Operating materials and supplies	6,000	6,000	5,310	690
Oil and fuel	9,000	9,000	8,129	871
Utilities	57,000	55,000	50,207	4,793
Contingent expenses	2,500	2,500	-	2,500
Other non-bondable assets	20,000	20,000	9,675	10,325
Total cost of operations and maintenance	550,500	573,500	521,702	51,798

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Budgetary Comparison Schedule
December 31, 2019

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Operating appropriations offset with revenues:				
Salaries and wages	130,000	130,000	130,000	-
Fringe benefits	20,000	20,000	20,000	-
Total operating appropriations offset with revenues	150,000	150,000	150,000	-
Length of service award program	55,000	55,000	48,076	6,924
Capital appropriations	150,000	150,000	999,039	(849,039)
Debt service for capital appropriations:				
Bond obligations	295,000	295,000	295,000	-
Interest on bond obligations	120,900	120,900	120,900	-
Capital leases	170,105	170,105	170,105	-
Interest on capital leases	38,697	38,697	38,697	-
Total debt service for capital appropriations	624,702	624,702	624,702	-
Total appropriations	1,648,202	1,648,202	2,433,267	(785,065)
Other financing sources and uses:				
Proceeds from capital lease	-	-	999,039	999,039
Total other financing sources and uses:	-	-	999,039	999,039
Excess of revenues over/(under) expenditures	(153,500)	(153,500)	114,695	268,195
Fund balance, January 1	1,153,702	1,153,702	1,153,702	-
Fund balance, December 31	<u>\$ 1,000,202</u>	<u>\$ 1,000,202</u>	<u>\$ 1,268,397</u>	<u>\$ 268,195</u>
RECAPITULATION OF FUND BALANCE				
Restricted fund balance:				
Capital reserve			\$ 600,000	
Assigned fund balance:				
Designated for subsequent year's expenditures			15,000	
Unassigned fund balance			<u>653,397</u>	
Total - budgetary basis			<u>1,268,397</u>	
Reconciliation to governmental fund statements (GAAP):				
Length of service award program investment balance not recognized on the budgetary basis			<u>1,625,287</u>	
Total fund balance per governmental funds (GAAP)			<u>\$ 2,893,684</u>	

EXHIBIT C-1A

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2019

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,548,923
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
	<u>335,179</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,884,102</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,433,267
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(48,076)
Administration fees	1,050
Participant withdrawals	<u>13,529</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 2,399,770</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Seven Fiscal Years *

	Measurement Date Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00204%	0.00189%	0.00199%	0.00177%	0.00193%	0.00188%	0.00260%
District's proportionate share of the net pension liability (asset)	\$ 367,147	\$ 371,391	\$ 462,933	\$ 522,975	\$ 433,825	\$ 352,068	\$ 479,610
District's covered-employee payroll	\$ 149,440	\$ 149,440	\$ 143,831	\$ 123,878	\$ 137,201	\$ 133,074	\$ 131,216
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245.68%	248.52%	321.86%	422.17%	316.20%	264.57%	365.51%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Schedule of District Contributions
Public Employees' Retirement System
Last Seven Fiscal Years *

	Year Ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 19,820	\$ 18,762	\$ 18,243	\$ 15,687	\$ 16,615	\$ 15,502	\$ 19,618
Contributions in relation to the contractually required contribution	(19,820)	(18,762)	(18,243)	(15,687)	(16,615)	(15,502)	(19,618)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 145,865	\$ 142,661	\$ 149,440	\$ 143,831	\$ 123,878	\$ 137,201	\$ 133,074
Contributions as a percentage of covered-employee payroll	13.59%	13.15%	12.21%	10.91%	13.41%	11.30%	14.74%

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Notes to the Required Supplementary Information
For the year ended December 31, 2019

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

EXHIBIT I-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Long-Term Debt
Schedule of Serial Bonds Payable
December 31, 2019

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance December 31, 2018</u>	<u>Retired</u>	<u>Balance December 31, 2019</u>
General Refunded Bonds, 2016	2/10/16	3,640,000	2/1/20	\$ 310,000	4.0%	\$ 3,170,000	\$ 295,000	\$ 2,875,000
			2/1/21	325,000	4.0%			
			2/1/22	335,000	4.0%			
			2/1/23	350,000	4.0%			
			2/1/24	370,000	4.0%			
			2/1/25	380,000	4.0%			
			2/1/26	395,000	4.0%			
			2/1/27	410,000	4.0%			
Total						\$ 3,170,000	\$ 295,000	\$ 2,875,000

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE
Long-Term Debt
Schedule of Obligations Under Capital Leases
December 31, 2019

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Balance December 31, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2019</u>
			<u>Principal</u>	<u>Interest</u>					
Pierce Pumper	3/4/2013	7 years	\$ 562,210	\$ 62,335	2.700%	\$ 171,466	\$ -	\$ 84,591	\$ 86,875
Fire Truck	5/25/2018	10 years	\$ 999,039	\$ 196,776	3.410%	-	999,039	85,514	913,525
		Total				\$ 171,466	\$ 999,039	\$ 170,105	\$ 1,000,400

Board of Fire Commissioners
Fire District No. 1 of the Township of Middle
Cape May Court House, New Jersey

We have audited the basic financial statements of the Fire District No. 1 of the Township of Middle, County of Cape May, State of New Jersey for the year ended December 31, 2019. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement.

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

Examination of Property, Plant & Equipment

The property and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget

An examination of the District approved budget was conducted to ensure line items were not overspent.

Acknowledgment

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions, please contact us.

HOLT MCNALLY & ASSOCIATES, INC.
Certified Public Accountants

September 21, 2020
Medford, New Jersey