

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Financial Statements and Supplementary Information

For the Year Ended December 31, 2020

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Financial Statements and Supplementary Information Year Ended December 31, 2020

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HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Roster of Officials

For the Year Ended December 31, 2020

Board of Fire Commissioners

Joseph Zalescik, Chairman

Patrick Gribbin, Vice-Chairman

David Brenner, Treasurer

Gilbert Lugossy, Secretary

Timothy Sharpley, Jr, Commissioner

James Gramigna, Commissioner

Other Officials

Genova Burns, Attorneys at Law

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INDEPENDENT AUDITOR'S REPORT

To the Mayor, Administrator and Governing Body of
the Township of Hamilton
Hamilton Township Fire District No. 3
Hamilton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Township Fire District No. 3, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hamilton Township Fire District No. 3, in the County of Mercer, State of New Jersey, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability – PFRS, schedule of District contributions – PFRS, schedules of the District's proportionate share of the net OPEB liability, schedules of District contributions - OPEB and notes to the required supplementary information, as listed on 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 Hamilton Township Fire District No. 3 basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **January --, 2022**, on our consideration of Hamilton Township Fire District No. 3's internal control over financial reporting and 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 the 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 Hamilton Township Fire District No. 3's internal control over financial reporting and compliance.

DePietto & DePietto, LLC

Holland, Pennsylvania

January --, 2022

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

The discussion and analysis of the Hamilton Township Fire District No. 3's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2020. The intent of the discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

Financial Highlights

Key financial highlights for 2020 are as follows:

In total, net position decreased (\$385,271) from 2019.

General revenues accounted for \$4,855,038 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$5,240,309 in expenses including \$166,608 of depreciation, \$127,200 in additional pension expense to be in compliance with GASB 68 for 2020 **and a recovery of \$141,119 of OPEB expense to be in compliance with GASB 75** for 2020. General revenues (primarily taxes) of \$4,855,038 were not adequate to provide for these programs, resulting in a change in net position of (\$385,271).

Per Non-GAAP budgetary basis, the District had \$5,013,082 in expenditures and capital outlay and \$4,855,038 of actual revenue which resulted in a deficit of revenue over expenditures of \$158,044. General revenues (primarily taxes) of \$4,855,038 were not adequate to provide for these programs. The District needed to utilize all of the \$37,785 of unrestricted fund balance approved in the 2020 budget plus an additional \$120,259 of unrestricted funds not in the budget to cover the cost of operations.

Using this Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Hamilton Township Fire District No. 3 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

District-Wide Financial Statements (Statement of Net Position and Statement of Activities)

These statements provide both short-term and long-term information about the District's overall financial status.

Fund Financial Statements

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Reporting the District as a Whole Statement of Net Position and the Statement of Activities

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting, takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in those positions. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required programs and other factors.

Reporting the District's Most Significant Funds Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transaction. The District's governmental funds are the General Fund and Capital Projects Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services 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 programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Notes to the Financial Statements

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

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

A summary of the District's Statement of Net Position and Statement of Changes in Net Position is presented below.

Table 1
Condensed Statement of Net Position

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>
Current and Other Assets	\$ 1,234,544	\$ 1,312,811
Capital Assets, net of accumulated depreciation	828,260	994,868
Total Assets	2,062,804	2,307,679
Deferred Outflow of Resources	1,211,980	1,131,071
Total Assets and Deferred Outflow of Resources	3,274,784	3,438,750
Current Liabilities	\$ 890,640	\$ 740,668
Long-Term Liabilities	9,959,393	9,535,496
Total Liabilities	10,850,033	10,276,164
Deferred Inflow of Resources	3,951,773	4,304,337
Net Position:		
Invested in Capital Assets, net of related debt	462,327	562,354
Restricted for building, fire apparatus and fringe benefits	676,366	672,155
Unrestricted	(12,665,715)	(12,376,260)
Total Net Position	(11,527,022)	(11,141,751)
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 3,274,784	\$ 3,438,750

Table 2
Condensed Statement of Changes in Net Position

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>
REVENUES:		
General Revenues:		
Property Taxes	\$4,709,505	\$ 4,583,382
Grants – state	14,199	14,199
Other	131,334	68,680
Total Revenues	\$4,855,038	\$4,666,261
EXPENSES:		
Administration	\$62,810	\$71,843
Cost of Operations and Maintenance	5,177,499	4,854,823
Total Expenses	5,240,309	4,926,666
Increase (Decrease) in Net Position	(\$ 385,271)	(\$ 260,405)

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 97.3% of revenues for governmental activities for Hamilton Township Fire District No. 3 for 2020. The District's total revenues were \$4,855,038 for the year ended December 31, 2020. The state grants accounted for another .3% of revenue and other miscellaneous revenue accounted for the remaining 2.4%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Administration includes expenses associated with administrative and financial supervision of the District.

Cost of Operations and Maintenance involve keeping equipment in an effective working condition.

The District's Funds

All governmental funds (i.e., general fund and capital projects fund) are accounted for using the modified-accrual basis of accounting. Total revenues amounted to \$4,855,038 and expenditures and internal transfers were \$5,013,082. The total change in fund balance for the year in the governmental funds was \$(158,044).

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the General Fund for the year ended December 31, 2020, and the amount of increases and decreases in relation to prior year revenues.

Table 3
Summary of Revenues – General Fund

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease) from 2019</u>
Revenue:			
Local Sources:			
Amount to be Raised by Taxation	\$4,709,505	\$4,583,382	\$126,123
Miscellaneous	131,334	68,680	62,654
Federal and State sources	<u>14,199</u>	<u>14,199</u>	<u>0</u>
Total	<u>\$4,855,038</u>	<u>\$4,666,261</u>	<u>\$188,777</u>

The following schedule presents a summary of the expenditures of the General Fund for the year ended December 31, 2020, and the amount of increases and decreases in relation to prior year amounts.

Table 4
Summary of Expenditures – General Fund

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease) from 2019</u>
Expenditures:			
Administration	\$ 62,810	\$ 71,843	\$ (9,033)
Cost of Operations and Maintenance	4,869,980	4,481,983	387,997
Total	<u>\$4,932,790</u>	<u>\$4,553,826</u>	<u>\$378,964</u>

Capital Assets (Net of Depreciation)

At the end of the year 2020, the District had \$828,260 invested in buildings, fire equipment, telecommunications and security equipment, fire apparatus and office furniture and equipment, net of depreciation. Table 5 shows 2020 balances compared to 2019.

Table 5
Capital Assets (Net of Depreciation)

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease) from 2019</u>
Building Improvements	\$ 15,760	\$ 19,772	\$ (4,012)
Fire Apparatus	812,500	962,500	(150,000)
Apparatus and Equipment	0	0	0
Other Vehicles	0	12,596	(12,596)
Total	<u>\$828,260</u>	<u>\$994,868</u>	<u>\$(166,608)</u>

In 2020, there were no capital asset purchases. Depreciation expense of \$166,608 was charged to governmental activities as part of its cost of operations.

Economic Factors

For the 2020 year, the Hamilton Township Fire District No. 3 was able to sustain its budget through the district tax levy, use of a portion of the designated surplus and other sources of revenue. Approximately 97.3% of total revenue was from the local tax levy, while the remaining 2.7% was from other sources. The tax rate levy per \$100 of assessed property valuation increased from \$.7380 in 2019 to \$.7572 in 2020.

For the Future

On September 9, 2020, the New Jersey Department of Community Affairs Local Finance Board unanimously approved a plan to consolidate Hamilton Township's Fire Districts. The transition of fire districts took effect on January 1, 2021. All fire houses throughout the Township remain open. Under the plan, the existing eight districts were dissolved thereby creating one Township of Hamilton Fire Department. It consists of both career and volunteer firefighters. There is no expected change to the number of officers and firefighters. However, three fire chiefs will be reclassified as deputy fire chiefs, one will become a battalion chief, and one firefighter mechanic will be reclassified as a firefighter.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, creditors and other interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact, The Township of Hamilton, 2090 Greenwood Avenue, Hamilton, New Jersey, 08609.

BASIC FINANCIAL STATEMENTS

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Statement of Net Position

December 31, 2020

	<u>Governmental</u> <u>Activites</u>
ASSETS	
Cash and cash equivalents	\$ 1,234,544
Capital assets, net of accumulated depreciation	828,260
	<hr/>
Total assets	2,062,804
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,162,915
Deferred outflows related to OPEB	49,065
Total deferred outflows of resources	1,211,980
	<hr/>
Total assets and deferred outflows of resources	\$ 3,274,784
LIABILITIES	
Accounts payable	\$ 203,280
Accrued expenses	13,680
Capital lease payable - current portion	68,691
Pension payable	604,989
Long-term liabilities:	
Capital lease payable	297,242
Net OPEB liability	2,664,783
Net pension liability - PFRS/PERS	6,997,368
	<hr/>
Total liabilities	10,850,033
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,901,066
Deferred inflows related to OPEB	2,050,707
Total deferred inflows of resources	3,951,773
	<hr/>
Total liabilities and deferred inflows of resources	14,801,806
NET POSITION	
Invested in capital assets, net of related debt	462,327
Restricted for:	
Building	239,225
Fire apparatus	212,381
Other fringe benefits	30,000
Post-retirement sick pay benefits	194,760
Unrestricted	(12,665,715)
	<hr/>
Total net position	(11,527,022)
	<hr/>
Total liabilities and deferred inflows of resources and net position	\$ 3,274,784
	<hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Statement of Activities

For the Year Ended December 31, 2020

	<u>Governmental</u> <u>Activites</u>
Expenditures:	
Fire protection - administration	\$ 62,810
Fire protection - operations	<u>5,177,499</u>
 Total expenditures	 <u>5,240,309</u>
 General revenues:	
Taxes	4,709,505
Grants - state	14,199
Grants - NJ State Police - COVID-19	16,155
Interest income	1,715
Miscellaneous revenue	41,898
Shared services revenue	<u>71,566</u>
 Total general revenues	 <u>4,855,038</u>
 Change in net position	 (385,271)
 Net position	
Net position, beginning of year	<u>(11,141,751)</u>
 Net position, end of year	 <u><u>\$ (11,527,022)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Governmental Funds

Balance Sheet

December 31, 2020

Governmental Funds

	<u>General Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 1,234,544	\$ 1,234,544
Total assets	<u>\$ 1,234,544</u>	<u>\$ 1,234,544</u>
LIABILITIES		
Accounts payable	\$ 203,280	\$ 203,280
Accrued expenses	<u>13,680</u>	<u>13,680</u>
Total liabilities	<u>216,960</u>	<u>216,960</u>
FUND BALANCES		
Fund balances:		
Unassigned	341,218	341,218
Assigned		
For building reserves	239,225	239,225
For fire apparatus reserves	212,381	212,381
For other fringe benefits reserves	30,000	30,000
Committed		
For post retirement sick pay benefits	<u>194,760</u>	<u>194,760</u>
Total fund balances	<u>1,017,584</u>	<u>1,017,584</u>
Total liabilities and fund balances	<u>\$ 1,234,544</u>	<u>\$ 1,234,544</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Governmental Funds

Balance Sheet

December 31, 2020

Governmental Funds - Fund Balance, December 31, 2020	\$ 1,017,584
Differences to amounts reported for governmental activities in the statement of net position:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,240,009 and the accumulated depreciation is \$2,411,749	828,260
Capital leases used in governmental activities are not financial resources and therefore are not reported in the funds and are offset against capital assets.	(365,933)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	(2,739,793)
Accrued PERS and PFRS pension payable is not recorded in financial statements of governmental funds	(604,989)
Long-term liabilities, including net pension liability, and net OPEB liability are not due and payable in the current period therefore are not reported as liabilities in the funds	<u>(9,662,151)</u>
Governmental Activities - Net Position, December 31, 2020	<u><u>\$ (11,527,022)</u></u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2020

	<u>Governmental Funds</u>	
	<u>General</u>	
	<u>Fund</u>	<u>Total</u>
Expenditures/expenses:		
Fire protection - administration	\$ 62,810	\$ 62,810
Fire protection - operations	4,869,980	4,869,980
	<hr/>	<hr/>
Total expenditures/expenses	4,932,790	4,932,790
	<hr/>	<hr/>
General revenues:		
Taxes	4,709,505	4,709,505
Grants - state	14,199	14,199
Grants - NJ State Police - COVID-19	16,155	16,155
Investment earnings	1,715	1,715
Miscellaneous revenue	41,898	41,898
Shared services revenue	71,566	71,566
	<hr/>	<hr/>
Total general revenues	4,855,038	4,855,038
Transfers - internal activities	(80,292)	(80,292)
	<hr/>	<hr/>
Total general revenues and transfers	4,774,746	4,774,746
	<hr/>	<hr/>
Excess of revenues over expenditures	(158,044)	(158,044)
	<hr/>	<hr/>
Fund balance:		
Beginning of the year	1,175,628	1,175,628
	<hr/>	<hr/>
End of the year	\$1,017,584	\$ 1,017,584
	<hr/>	<hr/>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
in the Governmental Funds to the Statement of Activities
December 31, 2020

Total changes in Governmental Funds - Fund Balance \$ (158,044)

Differences to amounts reported for governmental
activities in the statement of net position:

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.

Depreciation Expense (166,608)

Capital leases and loans used in governmental activities are not
financial resources and therefore are not reported as assets in the
funds and are offset against capital assets.

66,581

District health insurance premiums for retired employees 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 OPEB liability is measured a year before
the District's report date. Included in fringe benefits expense, is the change
in the net OPEB liability adjusted for changes in deferred outflows and
inflows of resources related to OPEB, is reported in the Statement of
Activities.

OPEB expense -

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 (127,200)

Governmental Activities - Change in Net Position, December 31, 2020 \$ (385,271)

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2020

	Deferred Compensation Trust
ASSETS	
Investments with fiscal agents	\$ 121,833
Receivables - participants' contributions	<u>3,981</u>
TOTAL ASSETS	<u><u>\$ 125,814</u></u>
NET ASSETS	
Held in trust for deferred compensation	<u><u>\$ 125,814</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended December 31, 2020

	Deferred Compensation Trust
ADDITIONS TO NET ASSETS	
Additions (Reductions) to net assets attributed to:	
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 256
Interest income	<u>636</u>
Net investment earnings	892
Contributions:	
Participants'	<u>37,710</u>
TOTAL ADDITIONS TO NET ASSETS	38,602
DEDUCTIONS FROM NET ASSETS	
Distributions:	
Participants'	<u>0</u>
TOTAL DEDUCTIONS FROM NET ASSETS	<u>0</u>
Net increase prior to interfund transfers	38,602
Interfund transfers	<u>0</u>
NET INCREASE	38,602
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	<u>87,212</u>
END OF YEAR	<u><u>\$ 125,814</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hamilton Township Fire District No. 3 (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Reporting Entity

Hamilton Township Fire District No. 3 is a political subdivision of the Township of Hamilton, County of Mercer, New Jersey. The District was formed to provide fire prevention and suppression services to the residents of Hamilton Township. The District functions independently through a Board of Fire Commissioners. The board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB)*, the financial statements must present the District (the primary government) and its component units. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the District’s ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

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 Board’s accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). 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 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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity's own operating programs which includes private purpose trust funds and agency funds.

District Wide and Fund Financial Statements

The district-wide financial statements report information of all of the nonfiduciary activities of the District. For the most part, the effect of inter-fund 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The district-wide financial statements include the statement of net position and the statement of activities. These statements report financial information of the District as a whole. All inter-fund activity has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

Fund Financial Statements

The fund financial statements provide detail of the governmental and fiduciary funds.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental 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. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures of liabilities but rather commitments related to unperformed contracts for goods and services. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current fiscal year end.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 received. Grants from other governments 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.

Inventories and prepaid expenses

Inventories and prepaid expenses that benefit future periods are recorded as expenditures during the year of purchase.

Capital Assets

Capital assets, which include buildings, fire apparatus, telecommunications and firefighting equipment and office furniture and equipment, generally result from expenditures in the governmental funds. These assets are reported on the government –wide statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

Building	30 years
Building improvements	7.5 to 39 years
Fire apparatus	15 years
Firefighting equipment	5 – 10 years
Office furniture and equipment	5 years
Other vehicles	5 years
Telecommunications equipment	5 -10 years

Employee Benefits

Vacation, sick pay and other employee benefits are recorded as expenditures when paid except for other post employment benefits noted in Note 11.

Use of Estimates

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

As a public body, the District is exempt from both federal and state taxes existing under statute.

Budget and Budgetary Accounting

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

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

Amendments may be made to the District budget in accordance with N.J.S.A. 40A:14-78.3.

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

Fire 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 District's financial statements. Each annual budget lapses at the end of the year.

Fire District Taxes

Upon proper certification to the assessor of the municipality in which the District is located, the assessor shall assess the amount of taxes to be raised in support of the District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality then pays the assessed taxes in four equal installments to the treasurer or custodian of funds of the District.

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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions Section

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.

Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making by the 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 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.

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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

Cash used for the day-to-day operations of the Fire District is in interest bearing checking accounts and an interest-bearing money market account. The balances in these accounts at December 31, 2020 were \$907,691 and \$326,853 respectively. The interest rate on the accounts varied for 2020.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey fire districts.

Concentration of Credit Risk

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

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Bank deposits

All bank deposits are classified as to credit risk by the three categories. **Category 1** consists of bank deposits insured or collateralized with securities held by the District of in the District’s name by its agent. **Category 2** consists of bank deposits collateralized with securities held by pledging public depository’s trust department or agent in the District’s name. **Category 3** includes uncollateralized deposits including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the District’s name. At December 31, 2020, the District’s deposits of \$1,234,544 are classified as Category 1 deposits.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3
Notes to the Financial Statements
December 31, 2020

NOTE 3 – FIXED ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Building	\$1,168,326	\$ 0	\$ 0	\$1,168,326
Building improvements	174,080	0	0	174,080
Fire apparatus	1,500,000	0	0	1,500,000
Firefighting equipment	202,220	0	0	202,220
Office furniture and equipment	63,723	0	0	63,723
Other vehicles	106,698	0	0	106,698
Telecommunications equipment	<u>24,962</u>	<u>0</u>	<u>0</u>	<u>24,962</u>
Total Capital Assets, Being Depreciated	3,240,009	0	0	3,240,009
Less: Total Accumulated Depreciation	<u>2,245,141</u>	<u>166,608</u>	<u>0</u>	<u>2,411,749</u>
 Total Capital Assets, Being Depreciated, Net	 <u>994,868</u>	 <u>166,608</u>	 <u>0</u>	 <u>828,260</u>
 Governmental Activities Capital Assets, Net	 <u>\$994,868</u>	 <u>\$166,608</u>	 <u>\$ 0</u>	 <u>\$828,260</u>

In 2020, the District had no additions to or no dispositions of capital assets. Depreciation expense of \$166,608 was charged to governmental activities as part of its cost of operations.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses include professional fees and payroll and payroll taxes that were incurred for the year ended December 31, 2020 but were not paid by that date.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 5 – PENSION OBLIGATIONS

Police and Firemen’s Retirement System (PFRS)

Plan Description

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

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

The following represents the membership tiers for PFRS:

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

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

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Police and Firemen’s Retirement System (PFRS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer and nonemployer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PFRS during the measurement period July 1, 2019 through June 30, 2020. The employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedules may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers, under this legislation, is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities’ total proportionate share of the collective net pension liability that is associated with the local participating employer.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's 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. For fiscal year 2020, 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 PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PFRS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>% of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/20	\$ 536,905	100%	\$ 6,997,368
12/31/19	\$ 508,831	100%	\$ 6,504,779
12/31/18	\$ 426,075	100%	\$ 7,042,746

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Components of Net Pension Liability

At December 31, 2020, the District reported a liability of \$6,997,368 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2020. The District’s proportion measured as of June 30, 2020, was 0.05415366840% which was an increase of 0.0010005778% from its proportion of 0.05315309060% measured as of June 30, 2019.

PFRS Collective balances at December 31, 2020 and 2019

Actuarial valuation date	<u>12/31/2020</u> July 1, 2019	<u>12/31/19</u> July 1, 2018
Deferred Outflows of Resources	\$ 1,162,915	\$ 1,082,006
Deferred Inflows of Resources	\$ 1,901,066	\$ 2,253,630
Net Pension Liability (NPL)	\$ 6,997,368	\$ 6,504,779
District's portion of the Plan's total NPL	0.05415366840%	0.05315309060%

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2020, the District recognized pension expense of \$127,200. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumptions	\$ 17,609	\$ 1,875,953
Net difference between expected and actual experience	70,545	25,113
Net difference between projected and actual earnings on pension plan investments	410,288	0
Changes in proportion and differences between District contributions and proportionate share of contributions	664,473	0
Total	<u>\$ 1,162,915</u>	<u>\$ 1,901,066</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>PFRS</u>
<u>June 30:</u>	
2021	\$ (247,954)
2022	(265,321)
2023	(136,855)
2024	(8,894)
2025	(32,246)
Thereafter	<u>(46,880)</u>
	<u>\$ (738,151)</u>

Special Funding Situation – State’s Proportionate Share

Additionally, the State’s proportionate share of the net pension liability attributable to the District is \$1,085,960 as of December 31, 2020. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2019, to the measurement date of June 30, 2020. The State’s proportion of the net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2020 was 0.05415366840% which was an increase of 0.0010005778% from its proportion of 0.05315309060% measured as of June 30, 2019, which is the same proportion as the District’s.

District’s Proportionate Share of the Net Pension Liability	\$6,997,368
State’s Proportionate Share of the Net Pension Liability Associated with the District	<u>1,085,960</u>
Total Net Pension Liability	<u>\$8,083,328</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 measurement date was determined by using an actuarial valuation date as noted in the table below, with update procedures used to roll

HAMILTON TOWNSHIP FIRE DISTRICT No. 3
Notes to the Financial Statements
December 31, 2020

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Actuarial Assumptions (continued)

forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	June 30, 2020
Actuarial valuation date	July 1, 2019
Investment rate of return	7.00%
Salary increases:	
Through all future years	3.25 – 15.25% based on years of service
Inflation rate:	
Price	2.75%
Wage	3.25%

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

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

Long-Term Expected Rate of Return

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Long-Term Expected Rate of Return (continued)

arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2020 are summarized in the following table:

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

Discount Rate

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

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

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

	<u>At 1% decrease (6.00%)</u>	<u>At current discount rate (7.00%)</u>	<u>At 1% increase (8.00%)</u>
District's proportionate share of the net pension liability	\$10,749,162	\$8,083,328	\$5,869,149

Deferred Compensation Plan

The District also provides a deferred compensation plan under section 457(b) of the Internal Revenue Code of 1986, as amended, which was approved by the State of New Jersey, Department of Community Affairs. The purpose of this Plan is to provide an optional benefit to employees whereby a designated amount of the participant’s compensation is withheld each month from his paycheck and is then invested in the plan according to the investments the employee selected. An employee becomes a participant when he has executed and entered into an agreement with the employer. A participant must agree to defer a minimum of twenty dollars per payroll period or such greater amount as specified by the employee in his agreement. For 2020, the maximum amount deferred could not exceed the lesser of \$19,500 or 100% of normal compensation. There was a catch-up contribution of \$6,500 allowed for those individuals who were age 50 and over. The agent providing administrative services for the plan is The Variable Annuity Life Insurance Company. Employee contributions for 2020 were \$37,710.

NOTE 6 – LONG-TERM LIABILITIES

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

	<u>Balance 12/31/19</u>	<u>Accrued/ Increases</u>	<u>Retired/ Decreases</u>	<u>Balance 12/31/20</u>	<u>Due within one year</u>
Net pension liability	\$ 6,504,779	\$ 0	\$ 537,967	\$ 6,997,368	\$ 0
Net OPEB liability	2,664,783		0	2,664,783	0
Capital leases payable	365,934	0	68,692	297,242	0
Total long-term liabilities	\$9,535,496	\$ 0	\$1,267,825	\$9,535,496	\$ 0

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 7 – OBLIGATION UNDER CAPITAL LEASE AGREEMENT

Fire Apparatus

In May 2015, the District entered into a Joint Purchase for Fire Apparatus with Hamilton Township Fire District No. 4 to purchase four fire trucks from Pierce Manufacturing Inc. The total cost of the apparatus purchase was as follows:

Two 2016 Pierce Arrow XT Pumpers (For No. 3 and No. 4)	\$1,050,000
One 2016 Pierce Arrow XT Mid-Mounted Platform (For No.4)	1,011,000
One 2016 Pierce Arrow XT Tractor Drawn Aerial (For No. 3)	<u>975,000</u>
Total Cost	<u>\$3,036,000</u>

In 2015, Hamilton Fire District No. 3 made a pre-paid down payment of \$821,000 and Hamilton Fire District No. 4 made a pre-paid down payment of \$1,036,000. The total down payment was \$1,857,000. The balance of \$1,179,000 was financed with a lease-purchase through Oshkosh Capital that was signed on May 18, 2015. Hamilton Fire District No. 3's share of the balance is \$679,000 which will be paid in annual payments of \$80,292, including interest of 3.17%. The first lease payment was due April 6, 2016. The lease term is ten years.

The fire apparatus was delivered to Fire District No. 3 and Fire District No. 4 in June 2016.

The balance payable on the lease agreement at December 31, 2020 was \$365,933. Interest expense for the year ended December 31, 2020 was \$13,711.

Future scheduled payments under the terms of this agreement are as follows for the years ending December 31:

2021	\$ 80,292
2022	80,292
2023	80,292
2024	80,292
2025	<u>80,292</u>
Total future minimum lease payments	401,460
Less: Amount representing interest	<u>(35,527)</u>
	365,933
Less: Current portion	<u>(68,691)</u>
	<u>\$297,242</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 8 – NET POSITION RESTRICTED FOR PROPERTY, APPARATUS AND EMPLOYEE BENEFITS

The fire commissioners have determined that reserves are necessary for the eventual replacement of fire apparatus, improvements to the property and operations. In 2020, the District had a total of \$676,366 in designated reserves. There was \$212,381 in reserves for fire apparatus, \$239,225 in reserves for building and building improvements, \$30,000 in reserves for state of emergency overtime and \$194,760 for post-retirement sick pay benefits.

For additional information about post retirement sick pay calculations and retired employees health benefits see Note 11.

NOTE 9 – NJ SUPPLEMENTAL FIRE SERVICES PROGRAM GRANT

Supplemental Fire Services Grant

Annually, the Supplemental Fire Services Program (SFSP) from the State of New Jersey, awards a grant to the Fire District for volunteer fire services. By acceptance of the grant, the Fire District agrees to all obligations and responsibilities pursuant to the SFSP as provided in Ch. 295, P.L., 1985.

The funds are utilized for the purchase of items as defined in compliance with state statutes. The grant was budgeted for \$14,199 for the year ended December 31, 2020. The District received and expended \$14,199 for the year ended December 31, 2020.

NOTE 10 - EMPLOYEE POLICIES

The district has entered into a collective bargaining agreement with the Fire Chief, and Fireman's Mutual Benevolent Association, Locals #84 and #284, for all paid fire prevention and suppression employees and supervisors. The terms of the current agreements begins on January 1, 2018 and ends on December 31, 2021. It establishes both compensation and benefits for covered employees.

Selected highlights of the agreements include:

Sick Leave

Each employee receives fifteen (15) days of sick time per year. Unused sick time may be accumulated. Payment of accumulated time is based on an equation. An hourly rate is determined and applied toward the unused sick time. The result is divided in half to determine the amount of the final payment. The final payment cannot exceed \$16,000. Based on accumulated sick days as of December 31, 2020, the accrued sick pay due employees under the terms of the contract at death or retirement was \$194,760. See Note 11.

Uniforms

All employees are provided with the necessary uniforms.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 10 - EMPLOYEE POLICIES (CONTINUED)

Health Benefits

Active employees and their families are covered by hospitalization, sickness and major medical insurance and prescription coverage under the NJ State Health Benefits Plan. Employees are required by State Statute to contribute 1.5% of their base pay toward health care. The cost of these benefits was \$462,727 and the employee contributions were \$27,531 for the year ended December 31, 2020. Also see Note 11.

Dental coverage is also provided for the employee and his family.

In addition, the district adopted a voluntary supplemental insurance program for eligible employees. This is an employee paid plan.

Vacations

Vacation days are based on length of service and shift assignment. They range from 8 days to 25 days per year. In addition, each employee is entitled to two personal days. Vacation days must be used before December 31.

Holidays

Employees were entitled to 13 holidays in December 31, 2020. In addition, rotating shift fire fighters receive an additional compensation: 13 days pay (for 12 hours per day) at base pay rates paid on December 31. The Fire Chief does not get compensated for the holiday but gets each holiday off.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

State Health Benefit Local Government Retired Employees Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

State Health Benefit Local Government Retired Employees Plan

Plan Description (continued)

coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedules may result in immaterial differences.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

State Health Benefit Local Government Retired Employees Plan

Special Funding Situation

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

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

The District is not an employer in a special funding situation for the plan year ended June 30, 2019.

Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan, for the years ending December 31, 2020 and 2018 is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Actuarial valuation date	June 30, 2018 rolled forward to June 30, 2019	June 30, 2017 rolled forward to June 30, 2018
Total OPEB liability	\$ 15,981,103,227	\$ 15,981,103,227
Plan fiduciary net position	314,485,086	314,485,086
Net OPEB liability	<u>\$ 15,666,618,141</u>	<u>\$ 15,666,618,141</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%
District's portion of the Plan's total Net OPEB liability	0.0196720000%	0.0212430000%
Total OPEB liability - District	\$ 2,718,522	\$ 3,394,866
Plan fiduciary net position - District	53,739	66,806
Net OPEB liability - District	<u>\$ 2,664,783</u>	<u>\$ 3,328,060</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

State Health Benefit Local Government Retired Employees Plan

Net OPEB Liability (continued)

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%
Mortality:	
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
Long-term rate of return	2.00%

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

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan — the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

State Health Benefit Local Government Retired Employees Plan

Discount Rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the District’s proportionate share of the net OPEB liability as of June 30, 2018 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 or 1-percentage-point higher than the current rate:

	<u>At 1% decrease</u> <u>(2.50%)</u>	<u>At current</u> <u>discount rate</u> <u>(3.50%)</u>	<u>At 1% increase</u> <u>(4.50%)</u>
District's proportionate share of the State of New Jersey’s net OPEB liability	\$ 3,081,167	\$ 2,664,783	\$ 2,326,416
State of New Jersey’s total net OPEB liability	<u>\$15,662,704,137</u>	<u>\$13,546,071,100</u>	<u>\$11,826,026,995</u>

Sensitivity of the District’s proportionate share of the Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the District’s proportionate share of the net OPEB liability as of June 30, 2018 calculated using the healthcare trend 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 healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>At 1% decrease</u> <u>(2.50%)</u>	<u>Healthcare cost</u> <u>trend rate</u> <u>(3.50%)</u>	<u>At 1% increase</u> <u>(4.50%)</u>
District's proportionate share of the State of New Jersey’s net OPEB liability	\$ 2,248,749	\$ 2,664,783	\$3,195,505
State of New Jersey’s total net OPEB liability	<u>\$11,431,214,644</u>	<u>\$13,546,071,100</u>	<u>\$16,243,926,531</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

State Health Benefit Local Government Retired Employees Plan

Collective Deferred Outflows/Deferred Inflows of Resources

For the year ended December 31, 2020, the District recognized OPEB recovery of \$141,119. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 0	\$ 944,340
Net difference between expected and actual experience	0	779,286
Net difference between projected and actual earnings on OPEB plan investments	2,195	0
Changes in proportion – employer specific	46,870	327,081
Total	\$ 49,065	\$ 2,050,707

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>OPEB</u>
2020	\$ (274,789)
2021	(274,789)
2022	(274,789)
2023	(274,904)
2024	(275,112)
Thereafter	(627,258)
	<u><u>\$(2,001,642)</u></u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

State Health Benefit Local Government Retired Employees Plan

OPEB Expense

The components of allocable OPEB expense for the year ending June 30, 2019 are as follows:

	State of New Jersey's OPEB expense	District's proportionate share (.019672%) of the State of New Jersey's OPEB expense
Service cost	\$ 666,574,660	\$ 131,129
Interest on total OPEB liability	636,082,461	125,130
Expected investment return	(11,286,267)	(2,220)
Administrative expense	9,478,435	1,865
Changes of benefit terms	(1,903,958)	(375)
Current period recognition (amortization) of deferred inflows/outflows of resources:		
Differences between expected and actual experience	(619,405,071)	(121,849)
Changes of assumptions	(809,376,790)	(159,221)
Differences between projected and actual investment earnings on OPEB plan investments	3,580,344	704
Total OPEB expense	<u>\$(126,256,186)</u>	(24,837)
Changes in proportion – employer specific		(39,508)
Total OPEB expense with employer specific liability		(64,345)
Other adjustments		(76,774)
District's total OPEB recovery at December 31, 2020		<u>\$(141,119)</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

SICK PAY

Each employee receives fifteen (15) days of sick time per year. Unused sick time may be accumulated. The calculation of accumulated time is based on an equation determined by the Commissioners of Hamilton Township Fire District No. 3, County of Mercer, State of New Jersey. It is based upon number of years already worked and approximate number of years to retirement for each employee who has accumulated sick time. The employee's hourly rate is determined and applied toward the unused sick time. The result is divided in half to determine the amount of the final payment. The final payment cannot exceed \$16,000. Based on accumulated sick days as of December 31, 2020, the sick pay reserved for employees under the terms of the contract at death or retirement was \$194,760.

NOTE 12 – RISK MANAGEMENT

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

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 13 – DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through **January --, 2022** which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

NOTE 14 – LITIGATION

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

NOTE 15 – DEFICIT IN UNRESTRICTED NET POSITION

As reflected on the Statement of Net Position, a deficit in unrestricted net position of (\$12,665,715) existed as of December 31, 2020. The primary cause of this deficit was the recording of the long-term liability for net pension liability and net OPEB liability. In accordance with full accrual accounting, which is the basis of accounting for the Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget, pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position does not indicate that the District is facing financial difficulties.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2020

NOTE 16 – SUBSEQUENT EVENTS

COVID-19 Pandemic

The outbreak of the novel coronavirus (COVID-19) the World Health Organization declared as a pandemic in March 2020 continues to spread throughout the United States and the entire world in 2021. The District remained open throughout the pandemic and has continued to provide firefighting services to the public. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the District for future periods.

Consolidation:

On September 9, 2020, the New Jersey Department of Community Affairs Local Finance Board unanimously approved a plan to consolidate Hamilton Township's Fire Districts. The transition of fire districts took effect on January 1, 2021. All fire houses throughout the Township remain open. Under the plan, the existing eight districts were dissolved thereby creating one Township of Hamilton Fire Department. It consists of both career and volunteer firefighters. There is no expected change to the number of officers and firefighters. However, three fire chiefs will be reclassified as deputy fire chiefs, one will become a battalion chief, and one firefighter mechanic will be reclassified as a firefighter.

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 4,709,505	\$ 4,709,505	\$ 4,709,505	\$ 0
Fund balance utilized	37,785	37,785	158,044	120,259
Grants - NJ State Police - COVID-19	0	0	16,155	16,155
Investment income	1,500	1,500	1,715	215
Miscellaneous	47,000	47,000	41,898	(5,102)
Shared services revenue	0	0	71,566	71,566
Supplemental fire services grant	14,199	14,199	14,199	0
Total Revenues	<u>4,809,989</u>	<u>4,809,989</u>	<u>5,013,082</u>	<u>203,093</u>
<u>Expenditures:</u>				
General Government:				
Salaries and wages	\$ 2,640,229	\$ 2,640,229	\$ 2,886,741	\$ (246,512)
Fringe benefits	1,403,963	1,403,963	1,429,810	(25,847)
Administration:				
Election expenses	1,500	1,500	2,222	(722)
Office expenses	6,000	6,000	2,032	3,968
Professional fees	40,500	40,500	22,905	17,595
Salaries - commissioners and clerk	38,720	38,720	35,651	(3,069)
Total Administration	<u>86,720</u>	<u>86,720</u>	<u>62,810</u>	<u>17,772</u>
Operations:				
Advertising	750	750	129	621
Apparatus and equipment maintenance	112,145	112,145	54,792	57,353
Building maintenance	71,565	71,565	67,642	3,923
Computers and repairs	25,035	25,035	26,209	(1,174)
EMS supplies	10,000	10,000	41,528	(31,528)
Equipment testing	10,272	10,272	1,515	8,757
Firefighting equipment	22,018	22,018	10,790	11,228
Fire prevention	1,000	1,000	6,950	(5,950)
Insurance	40,000	40,000	42,231	(2,231)
Rent - hydrant	204,000	204,000	203,743	257
Shared services	0	0	822	(822)
Training	15,000	15,000	10,138	4,862
Uniforms and gear	47,000	47,000	45,791	1,209
Utilities	40,000	40,000	41,149	(1,149)
Total Operations	<u>598,785</u>	<u>598,785</u>	<u>553,429</u>	<u>45,356</u>
Total General Government	<u>4,729,697</u>	<u>4,729,697</u>	<u>4,932,790</u>	<u>(209,231)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Capital Outlay				
Payment of loan principal	66,581	66,581	66,581	0
Interest on loan	13,711	13,711	13,711	0
Total Capital Outlay	<u>80,292</u>	<u>80,292</u>	<u>80,292</u>	<u>0</u>
Total Expenditures	<u>4,809,989</u>	<u>4,809,989</u>	<u>5,013,082</u>	<u>(209,231)</u>
Excess of Revenues				
Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (6,138)</u>

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 0
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(166,608)
Use of the unrestricted fund balance is an inflow of resources for budgetary purposes but not for financial reporting purposes	(158,044)
Payment of principal on the loan payable is an outflow of a budgetary resource but is not an expenditure for financial reporting purposes	66,581
OPEB expense reported in accordance with GASB 75 is an outflow for financial reporting purposes but is not an outflow of a budgetary resource	0
Pension expense reported in accordance with GASB 68 is an outflow for financial reporting purposes but is not an outflow of a budgetary resource	<u>(127,200)</u>
Deficit of Revenues Over Expenditures - GAAP Basis	<u>\$ (385,271)</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Schedule of the District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System (PPRS)
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.05415366840%	0.05315309060%	0.05204647760%	0.04814306370%	0.04640943960%	0.04311467500%	0.0448307340%	0.04343632226%
District's proportionate share of the net pension liability (asset) \$	6,997,368	\$ 6,504,779	\$ 7,042,746	\$ 7,432,358	\$ 8,865,390	\$ 7,181,402	\$ 5,639,291	\$ 5,778,043
District's covered-employee payroll	\$ 1,930,628	\$ 1,868,564	\$ 1,801,524	\$ 1,726,668	\$ 1,486,584	\$ 1,560,956	\$ 1,465,300	\$ 1,529,252
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	362.44%	348.12%	390.93%	430.45%	596.36%	460.06%	384.86%	377.83%

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 which information is available.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3
Schedule of District Contributions
Police and Firemen's Retirement System (PFRS)
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 536,905	\$ 508,831	\$ 426,075	\$ 378,395	\$ 350,458	\$ 344,331	\$ 317,098	\$ 325,083
Contributions in relation to the contractually required contributions	<u>536,905</u>	<u>508,831</u>	<u>426,075</u>	<u>378,395</u>	<u>350,458</u>	<u>344,331</u>	<u>317,098</u>	<u>325,083</u>
District's covered-employee payroll	\$ 1,930,628	\$ 1,868,564	\$ 1,801,524	\$ 1,726,668	\$ 1,486,584	\$ 1,560,956	\$ 1,465,300	\$ 1,529,252
Contributions as a percentage of its covered-employee payroll	27.81%	27.23%	23.65%	21.91%	23.57%	22.06%	21.64%	21.26%

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 which information is available.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Schedule of the District's Proportionate Share of the Net OPEB Liability
 State Health Benefits Local Government Retired Employees Plan
 Last Ten Fiscal Years

	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)		0.019672%	0.021243%	0.020969%	0.021066%
District's proportionate share of the net OPEB liability (asset)		\$ 2,664,783	\$ 3,328,060	\$ 4,280,987	\$ 4,575,001
District's covered-employee payroll	\$ 1,930,628	\$ 1,868,564	\$ 1,801,524	\$ 1,726,668	\$ 1,486,584
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	142.61%	184.74%	247.93%	307.75%
Plan fiduciary net position as a percentage of the total OPEB liability		1.98%	1.97%	1.03%	0.69%

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 which information is available.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3
 Schedule of District Contributions
 State Health Benefits Local Government Retired Employees Plan
 Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Pay-as-you-go monthly employer contributions billed - retired employees	\$ 58,123	\$ 100,301	\$ 102,992	\$ 77,149	
Pay-as-you-go monthly employer contributions paid - retired employees	-	58,123	100,301	102,992	77,149
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 1,930,628	\$ 1,868,564	\$ 1,801,524	\$ 1,726,668	\$ 1,486,584
Contributions as a percentage of its covered-employee payroll	0.00%	3.11%	5.57%	5.96%	5.19%

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 which information is available.

OTHER SUPPLEMENTARY INFORMATION