

**FIRE DISTRICT NO. 1
OF THE TOWNSHIP OF EAST BRUNSWICK**

Financial Statements and Supplementary Information

For the year ended December 31, 2019

(With Independent Auditor's Report thereon)

SCAN Date: 9/16/2020

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of East Brunswick
County of Middlesex
East Brunswick, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

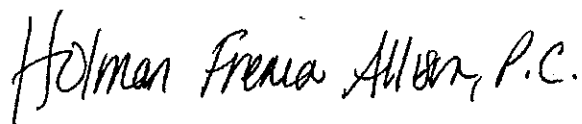
Other Information

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

The accompanying long-term debt schedule of serial bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying long-term debt schedule of serial bonds is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the Fire District No. 1 of the Township of East Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 1 of the Township of East Brunswick's internal control over financial reporting and compliance.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

September 10, 2020
Toms River, New Jersey



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

Board of Fire Commissioners
Fire District No. 1 of the township of East Brunswick
County of Middlesex
East Brunswick, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Fire District No. 1 of the Township of East Brunswick, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the township of East Brunswick's basic financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the township of East Brunswick's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the township of East Brunswick's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the township of East Brunswick's internal control.

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

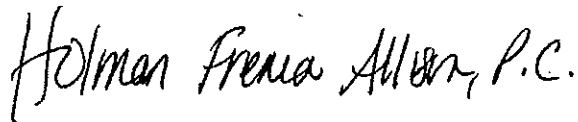
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 1 of the township of East Brunswick's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 1 of the township of East Brunswick's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

September 10, 2020
Toms River, New Jersey

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Management Discussion and Analysis
For the year end December 31, 2019

As management of the Fire District No. 1 of the Township of East Brunswick, we offer readers of the East Brunswick Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the East Brunswick Township Fire District No. 1 for the year ended December 31, 2019. The intent of this narrative is to look at Fire District No. 1 of the Township of East Brunswick's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 22.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by approximately \$4.25 million. In 2018 the excess was approximately \$4.12 million. This is an increase of approximately \$107,600.
- During 2019 Fire District No. 1 of the Township of East Brunswick operated at a surplus of approximately \$107,600. The surplus in 2018 was approximately \$19,400. This is an increase of approximately \$88,200.
- The District decreased their liabilities by approximately \$63,700 in 2019, and decreased their assets by approximately \$60,000.

USING THIS ANNUAL REPORT

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

Reporting on the District as a Whole

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. There are three fiduciary funds in the District. The first is the Payroll Agency which is used for the payment of wages and payroll liabilities. The second is the Unemployment Compensation, which is used for payment of unemployment claims. The third is the Dedicated Penalties, which is used for payment of firefighting equipment and/or training.

Notes to Financial Statements

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

DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 1 of the Township of East Brunswick's net position is a useful indicator of the District's financial condition. At the end of 2019, the District's assets exceeded its liabilities by approximately \$4.25 million. A large portion of Fire District No. 1 of the Township of East Brunswick's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 1 of the Township of East Brunswick's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt. As of December 31, 2019 the District had General Obligation bond long term debt of approximately \$4.49 million and a bond for a fire truck of \$284,000.

Statement of Net Position

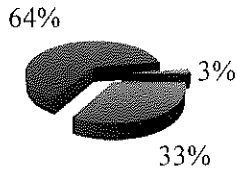
Fire District No. 1 of the Township of East Brunswick
Net Position
For the year ended December 31, 2019

	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 3,966,104	\$ 3,835,929	130,175	3.0%
Capital assets	<u>7,497,754</u>	<u>7,583,963</u>	(86,209)	(1.1%)
Total assets	11,463,858	11,419,892	43,966	.4%
Total liabilities	<u>(7,212,905)</u>	<u>(7,276,573)</u>	(63,668)	(.9%)
Net position	<u>\$ 4,250,953</u>	<u>\$ 4,143,319</u>	107,634	2.6%

Analysis of net position

Invested in capital assets, net of related debt	\$ 2,728,754	\$ 2,493,963	234,791	9.4%
Restricted for:				
Capital projects	120,110	53,100	67,010	126.2%
Unrestricted	<u>1,402,089</u>	<u>1,596,256</u>	(194,167)	(12.2%)
Total net position	<u>\$ 4,250,953</u>	<u>\$ 4,143,319</u>	107,634	2.6%

2019 Net Position



- Invested in Net Assets
- Restrict for Capital
- Unrestricted

2018 Net Position



- Invested in Net Assets
- Restrict for Capital
- Unrestricted

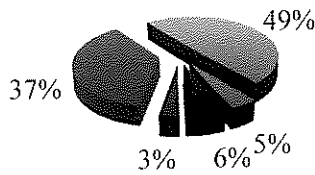
The net position of Fire District No. 1 of the Township of East Brunswick increased approximately \$107,600 during the 2019 period. This increase was due primarily to changes in net position at December 31, 2019 were an excess of revenues over expenses of approximately \$107,600. In 2019 the capital assets decreased by approximately \$86,200 after depreciation expense.

Governmental Activities

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

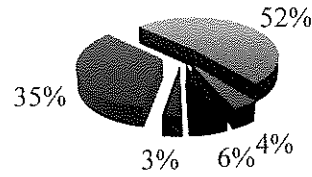
	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	\$ 782,932	\$ 760,621	22,311	2.9%
Cost of operations and maintenance	1,030,198	1,149,886	(119,688)	(10.4%)
Operating appropriations offset with revenues	96,937	94,666	2,271	2.4%
Length of service award contribution	64,037	69,109	(5,072)	(7.3%)
Interest expense	<u>130,065</u>	<u>137,569</u>	(7,504)	(5.5%)
Total program expenses	<u>2,104,169</u>	<u>2,211,851</u>	(107,682)	(4.9%)

2019 Program Expenses



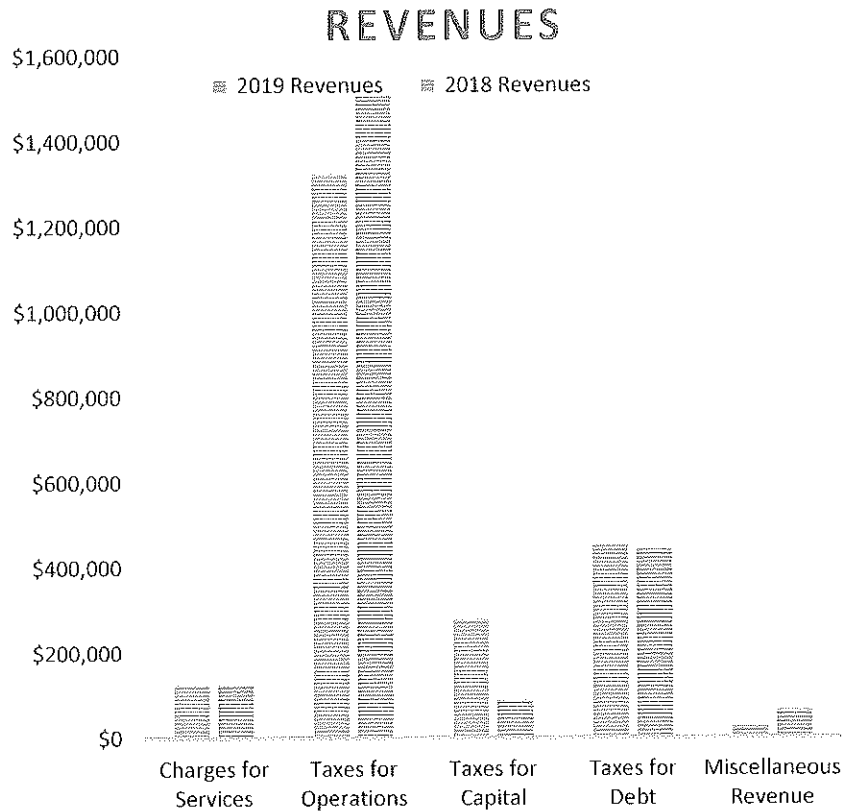
- Administrative
- Operations
- Expenses offset by Revenues
- Interest
- LOSAP

2018 Program Expenses



- Administrative
- Operations
- Expenses offset by Revenues
- Interest
- LOSAP

	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Revenues				
Program revenues				
Charges for services	<u>126,517</u>	<u>126,220</u>	297	.2%
Total program revenues	<u>126,517</u>	<u>126,220</u>	297	.2%
Net program expenses	<u>1,977,652</u>	<u>2,085,631</u>	(107,979)	(5.2%)
General revenues				
Property taxes levied for:				
General Purposes	1,604,726	1,507,390	97,336	6.5%
Capital	0	90,000	(90,000)	(100.0%)
Debt service	<u>453,111</u>	<u>442,545</u>	10,566	2.4%
Total property taxes levied	<u>2,057,837</u>	<u>2,039,935</u>	17,902	.9%
Operating grants and contributions	6,379	5,352	1,027	19.2%
Miscellaneous revenue	<u>21,070</u>	<u>59,729</u>	(38,659)	(64.7%)
Total general revenues	<u>2,085,286</u>	<u>2,105,016</u>	(19,730)	(.9%)
Increase in net position	107,634	19,385	88,249	455.2%
Net position, January 1	<u>4,143,319</u>	<u>4,123,934</u>	19,385	.5%
Net position, December 31	<u>\$ 4,250,953</u>	<u>\$ 4,143,319</u>	107,634	2.6%



Property tax revenue constituted 93% of the total governmental activities revenues received by Fire District No. 1 of the Township of East Brunswick in 2019. In 2018 the property tax revenue constituted 91% of total revenues.

The Cost of Operations & Maintenance was 49% and 52% of the District's total expenses in 2019 and 2018 respectively. Administration expenses equaled 37% and 34% of the total expenses in 2019 and 2018 respectively. Length of service award program expenses equaled 3% and 3% of the total expenses in 2019 and 2018, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

Government Fund

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

As of December 31, 2019, the combined balance of the governmental funds of East Brunswick Township Fire District No. 1 is approximately \$3.52 million. This balance is approximately \$97,400 higher than last year's combined governmental funds balance. The increase is due primarily to the excess of revenues over expenses.

The combined balance of the governmental funds of Fire District No. 1 of the Township of East Brunswick was approximately \$3.52 million. Unreserved fund balance amounted to approximately \$1.62 million of that total. \$340,000 of funds have been designated for use in the 2020 Budget.

The general fund is the main operating fund of Fire District No. 1 of the Township of East Brunswick. At the end of 2019, the total fund balance of the general fund was approximately \$3.40 million. Of this balance, approximately \$1.62 million was unreserved.

During 2019 the general fund balance of Fire District No. 1 of the Township of East Brunswick increased by approximately \$30,430. The primary reasons for this increase are as follows:

- The Board expended less funds than they received in revenues by approximately \$30,430.

At the end of 2019, the District had a capital projects fund balance of approximately \$120,110. This balance increased from 2018 by approximately \$67,000.

General Fund Budgetary Highlights

The District had total actual revenues in excess of budgeted revenues of approximately \$44,614 in 2019. The District expects to operate at a surplus in 2020.

Overall, the District spent approximately \$226,931 less than originally anticipated in administration and operations and maintenance than originally budgeted for in 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019 Fire District No. 1 of the Township of East Brunswick had invested in capital assets for government activities of \$7,497,754 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment.

Fire District No. 1 of the Township of East Brunswick
Capital Assets
(Net of Accumulated Depreciation)
For the year ended December 31, 2019

	2019	2018	\$ Increase (Decrease)
Capital assets			
Building in progress	\$ 126,490	\$ -	\$126,490
Buildings	6,220,273	6,211,773	8,500
Vehicles, machinery and equipment	<u>4,323,443</u>	<u>4,210,457</u>	112,986
Total capital assets	10,670,206	10,422,230	247,976
Accumulated depreciation	<u>(3,172,452)</u>	<u>(2,838,267)</u>	(334,185)
Total capital assets, net	<u>\$ 7,497,754</u>	<u>\$ 7,583,963</u>	(86,209)

Additional information on Fire District No. 1 of the Township of East Brunswick’s capital assets can be found in Note 7 in the notes to the financial statements.

Long-Term Obligations

The District has General Obligation bonds totaling \$4.49 million of long term debt at December 31, 2019. Fire District No. 1 of the Township of East Brunswick has a bond for a fire truck totaling \$284,000 at December 31, 2019.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2019, Fire District No. 1 of the Township of East Brunswick was able to cover all its appropriations through the fire tax levy and other revenues. In 2019 the fire tax levy amounted to 91% of total revenue collected.

Fire District No. 1 of the Township of East Brunswick adopted their 2020 budget on December 3, 2020. The voters subsequently voted to approve the budget at the February election. The 2020 adopted budget reflected an increase in the tax levy of \$85,411. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$749 in 2020 for fire protection.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 1 of the Township of East Brunswick's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Cheryl Parker, East Brunswick Township Fire District No. 1, 680 Old Bridge Tps., East Brunswick , New Jersey, 08816.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
District Wide Statement of Net Position
December 31, 2019

	Governmental Activities
	Total
ASSETS	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 2,245,170
Accounts receivable (Note 4)	46,041
Other receivables	87,480
Prepaid insurance	109,467
Total current assets	2,488,158
Noncurrent assets:	
Investment in length of service awards program:	
at fair value (Note 5)	1,228,078
at contract value (Note 6)	145,953
Total investment in length of service awards program	1,374,031
Total noncurrent assets	1,374,031
Capital assets, net	
Non-depreciable (Note 7)	126,490
Depreciable (Note 7)	7,371,264
Total capital assets	7,497,754
Total assets	11,359,943
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 9)	103,915
Total deferred outflows of resources	103,915
Total assets and deferred outflows of resources	\$ 11,463,858
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 231,714
Accrued interest payable	42,779
Pension payable	27,249
Bonds payable (Note 8)	321,000
Total current liabilities	622,742
Non-current liabilities:	
Investment in length of service awards program payable (Note 10)	1,439,356
Bonds payable (Note 8)	4,448,000
Net pension liability (Note 9)	481,737
Total non-current liabilities	6,369,093
Total liabilities	6,991,835
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 9)	221,070
Total deferred inflows of resources	221,070
Total liabilities and deferred inflows of resources	7,212,905
NET POSITION	
Net investment in capital assets	2,728,754
Restricted:	
Capital	120,110
Unrestricted	1,402,089
Total net position	4,250,953
Total liabilities, deferred inflows of resources and net position	\$ 11,463,858

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
District Wide Statement of Activities
For the year ended December 31, 2019

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Totals</u> <u>Governmental Activities</u> <u>2019</u>
Governmental activities:			
Operation appropriations:			
Administration	\$ 782,932	\$ -	\$ 782,932
Costs of operations and maintenance	1,030,198	126,517	903,681
Operating appropriations offset with revenues	96,937	-	96,937
Length of service awards program contribution	64,037	-	64,037
Interest expense	130,065	-	130,065
Total governmental activities	<u>\$ 2,104,169</u>	<u>\$ 126,517</u>	<u>1,977,652</u>
General revenues:			
Miscellaneous revenue			21,070
Operating grant revenues			6,379
Amount raised by taxation			<u>2,057,837</u>
Total general revenues			<u>2,085,286</u>
Excess of revenues over expenditures			107,634
Net position, January 1			<u>4,143,319</u>
Net position, December 31			<u>\$ 4,250,953</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Governmental Funds
Balance Sheet
For the year ended December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals December 31, 2019</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,222,921	\$ 1,022,249	\$ -	\$ 2,245,170
Accounts receivable	46,041	-	-	46,041
Other receivables	880,963	-	-	880,963
Total current assets	<u>2,149,925</u>	<u>1,022,249</u>	<u>-</u>	<u>3,172,174</u>
Noncurrent assets:				
Investment in length of service awards program:				
at fair value	1,228,078	-	-	1,228,078
at contract value	145,953	-	-	145,953
Total investment in length of service awards program	<u>1,374,031</u>	<u>-</u>	<u>-</u>	<u>1,374,031</u>
Total noncurrent assets	<u>1,374,031</u>	<u>-</u>	<u>-</u>	<u>1,374,031</u>
Total assets	<u>\$ 3,523,956</u>	<u>\$ 1,022,249</u>	<u>\$ -</u>	<u>\$ 4,546,205</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 115,084	\$ 116,630	\$ -	\$ 231,714
Pension payable	1,242	-	-	1,242
Other payables	7,974	785,509	-	793,483
Total liabilities	<u>124,300</u>	<u>902,139</u>	<u>-</u>	<u>1,026,439</u>
Fund balances:				
Restricted for:				
Capital	-	120,110	-	120,110
Length of service awards program	1,439,356	-	-	1,439,356
Assigned for:				
For subsequent year's expenditures	340,000	-	-	340,000
Unassigned, reported in:				
General fund	1,620,300	-	-	1,620,300
Total fund balances	<u>3,399,656</u>	<u>120,110</u>	<u>-</u>	<u>3,519,766</u>
Total liabilities and fund balances	<u>\$ 3,523,956</u>	<u>\$ 1,022,249</u>	<u>\$ -</u>	

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

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

109,467

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$10,670,206 and the accumulated depreciation is \$3,172,452.

7,497,754

Accrued interest payable is not recorded in the fund financial statements due to the fact that the payable is not due in the period.

(42,779)

Accrued pensions payable are not recorded in the governmental fund financial statements due to the fact that the payable is not due in the current period.

(26,007)

Deferred outflows and inflows of resources related to pensions, other postemployment benefits and length of service awards program are applicable to future reporting periods and therefore, are not reported in the funds.

(117,155)

Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(6,690,093)

Net position of governmental activities

\$ 4,250,953

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2019

				Totals
	General Fund	Capital Projects Fund	Debt Service Fund	December 31, 2019
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 3,062	\$ -	\$ -	\$ 3,062
Investment income - length of service award program	239,597	-	-	239,597
Municipal assistance	9,000	-	-	9,000
Miscellaneous	7,734	-	-	7,734
Sale of assets	1,274	-	-	1,274
Total miscellaneous revenues	<u>260,667</u>	<u>-</u>	<u>-</u>	<u>260,667</u>
Operating grant revenues:				
Supplemental fire service act	6,379	-	-	6,379
Total operating grant revenue	<u>6,379</u>	<u>-</u>	<u>-</u>	<u>6,379</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	35,037	-	-	35,037
Other revenues	91,480	-	-	91,480
Total miscellaneous revenues offset with appropriations	<u>126,517</u>	<u>-</u>	<u>-</u>	<u>126,517</u>
Amount raised by taxation to support district budget	1,604,726	-	453,111	2,057,837
Total anticipated revenues	<u>1,998,289</u>	<u>-</u>	<u>453,111</u>	<u>2,451,400</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	147,007	-	-	147,007
Fringe benefits	160,207	-	-	160,207
Other expenditures:				
Elections	7,648	-	-	7,648
Insurance	103,160	-	-	103,160
Membership/Dues	2,521	-	-	2,521
Office expenses	56,546	-	-	56,546
Professional services	85,138	-	-	85,138
Travel expenses	-	-	-	-
Rental of office space	12,000	-	-	12,000
Utilities/phone/pagers	96,658	-	-	96,658
Advertising and publications	1,459	-	-	1,459
Building and office repairs	110,588	-	-	110,588
Total administration	<u>782,932</u>	<u>-</u>	<u>-</u>	<u>782,932</u>
Cost of operations and maintenance:				
Other expenditures:				
Old Bridge Vol. Fire Co	318,106	-	-	318,106
Maintenance and repair	178,875	-	-	178,875
Operating materials and supplies	20,313	-	-	20,313
Training and education	15,347	-	-	15,347
Uniforms and personal equipment	46,110	-	-	46,110
Contingent expenses	35,916	-	-	35,916
Communication equipment	65,523	-	-	65,523
Firefighting equipment	57,964	-	-	57,964
Safety officer equipment	956	-	-	956
Extraordinary firemens expense	105	-	-	105
Total cost of operations and maintenance	<u>739,215</u>	<u>-</u>	<u>-</u>	<u>739,215</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
For the year ended December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals December 31, 2019</u>
Operating appropriations offset with revenues:				
Salaries and wages	96,937	-	-	96,937
Total operating appropriations offset with revenues	96,937	-	-	96,937
Length of service awards program:				
Participant withdrawals	68,775	-	-	68,775
Total length of service awards program	68,775	-	-	68,775
Total operating appropriations	1,687,859	-	-	1,687,859
Capital appropriations	-	212,990		212,990
Total capital appropriations	-	212,990		212,990
Debt service for capital appropriations:				
Principal on bonds	-	-	321,000	321,000
Interest on bonds	-	-	132,111	132,111
Total debt service for capital appropriations	-	-	453,111	453,111
Total governmental expenditures	1,687,859	212,990	453,111	2,353,960
Other finance sources and uses:				
Transfer of Fund Balance	(280,000)	280,000	-	-
Total other finance sources and uses	(280,000)	280,000	-	-
Excess of revenues over expenditures	30,430	67,010	-	97,440
Fund balance, January 1	3,369,226	53,100	-	3,422,326
Fund balance, December 31	<u>\$ 3,399,656</u>	<u>\$ 120,110</u>	<u>\$ -</u>	<u>\$ 3,519,766</u>

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

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 97,440

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

Prepaid expenses are reported in governmental funds as expenditures. However, in the District Wide Statement of Net Position, the cost of those assets are expensed.

	Prior year	(112,261)	
	Current year	<u>109,467</u>	(2,794)

Length of service awards program (LOSAP) contribution is not reported in governmental funds as expenditures. However, in the District Wide Statement of Net Position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

	Length of service awards program contribution	(64,037)	
	Appreciation in the value of investments	(239,597)	
	Participant withdrawals	<u>68,775</u>	(234,859)

Capital Outlays are reported in governmental funds as expenditures. However, in the District Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

	Capital outlay - General Fund	122,377	
	Capital outlay - Capital Project Fund	212,990	
	Loss on disposal of capital asset	(40,247)	
	Depreciation expense	<u>(381,329)</u>	(86,209)

Interest on long-term debt in the District Wide Statement of Activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.

	Prior Year	44,825	
	Current Year	<u>(42,779)</u>	2,046

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the District Wide Statement of Net Position and is not reported in the District Wide Statement of Activities. 321,000

In the District Wide Statement of Activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, reported in the amount of financial resources used, essentially, the expenditures for these items are amounts actually paid. This year, the decrease in sick leave paid was \$10,171. 10,171

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

	Pension Expense	<u>839</u>	839
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Changes in net position of governmental activities \$ 107,634

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2019

	<u>Payroll Trust</u>	<u>Unemploment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
Assets:				
Cash and cash equivalents	\$ 98,779	\$ -	\$ 30,675	\$ 129,454
Interfund receivable	-	6,981	993	7,974
Total assets	<u>98,779</u>	<u>6,981</u>	<u>31,668</u>	<u>137,428</u>
Liabilities:				
Interfund payable	95,454	-	-	95,454
Payroll deductions payable	3,325	-	-	3,325
Total liabilities	<u>98,779</u>	<u>-</u>	<u>-</u>	<u>98,779</u>
Net position:				
Held in trust for:				
Unemployment claims	-	6,981	-	6,981
Dedicated penalties	-	-	31,668	31,668
Total net position	<u>\$ -</u>	<u>\$ 6,981</u>	<u>\$ 31,668</u>	<u>\$ 38,649</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended December 31, 2019

	<u>Unemployment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
Additions			
Contributions:			
Penalties	\$ -	900	\$ 900
Total contributions	-	900	900
Total additions	-	900	900
Change in net position	-	900	900
Net position, January 1	6,981	30,768	37,749
Net position, December 31	<u>\$ 6,981</u>	<u>\$ 31,668</u>	<u>\$ 38,649</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of East Brunswick (the “District”) is a political subdivision of the Township of East Brunswick, County of Middlesex, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner’s term is three years with the annual election held the third Saturday of every February.

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

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

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

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

B. District Officials

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

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Fred Hoover	2021
Robert McDonald	2022
Michael Mosher	2021
Paul J. Prinzo	2020
Bruce Smith	2020

C. Accounting Records

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

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

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

NOTE 1: GENERAL INFORMATION (continued)

E. Component Units

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Fund Accounting

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Governmental Funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

Fiduciary 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.

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

C. District Wide and Fund Financial Statements

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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.

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

Fund Financial Statements

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

D. Basis of Accounting

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

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

In its accounting and financial reporting, the District follows the pronouncements of the GASB and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by Financial Accounting Standards Board (FASB) after November 30, 1989.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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

E. Budgets and Budgetary Accounting

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

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

Amendments may be made to the District budget in accordance with *N.J.S.A. 40A: 14-78.3*. The budget may be amended subsequent to its final adoption and approval for additional items of revenue with offsetting appropriations in accordance with *N.J.S.A. 40A: 14-78.5*.

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

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

F. Encumbrances

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

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

G. Cash, Cash Equivalents and Investments

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash, Cash Equivalents and Investments (continued)

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

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

H. Prepaid Expenses

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

I. Debt Limitation

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

J. Capital Assets

Capital assets, which include, construction progress, buildings and vehicles, machinery and equipment are reported in the district wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$5,000.

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

Buildings and Improvements	40 years
Vehicles, Machinery and Equipment	5 to 25 years

K. Inventory, Materials and Supplies

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

District employees are entitled to vacation and sick leave. Unused vacation may be accumulated up to one week with prior approval from the Board of Commissioners and unused sick leave may be accumulated up to a maximum of 36 days. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

The liability for vested compensated absences is recorded as a non-current liability in the governmental activities fund. The current portion of the compensated absence balance is not considered material to the applicable fund's total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

M. Interfund Receivable/Payable

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

N. Revenues and Expenditures

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

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

O. Fire District Taxes

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

P. Deferred Outflows and Deferred Inflows of Resources

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Pensions Section

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

R. Fund Equity

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

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

S. 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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Use of Estimates

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

U. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

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

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. GASB has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Implementation of this statement did not have a significant impact on the District's financial statements.

Recently Issued Accounting Pronouncements

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

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 31, 2019. Management has not yet determined the potential impact on the District's financial statements.

V. Unrealized Gains and Losses

GASB has established GASB No. 31, *Accounting and Financial Reporting For Certain Investments and for External Investment Pools* which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2019, the unrealized gains for the District were not considered to be material to the financial statements taken as a whole, and accordingly, have not been reflected in the financial statements.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Fair Value Measurement

Investments are reported at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value). Contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP Plan.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board of Commissioners determines the valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See Note 5 and Note 6 for discussion of fair value and contract value measurements, respectively.

X. Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2019 through the date of September 10, 2020, which is the date the financial statements were available to be issued. See Note 16 for additional information.

NOTE 3: CASH AND CASH EQUIVALENTS

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

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 2,374,624
Total deposits	<u>\$ 2,374,624</u>
 Reconciliation to Governmental and Fiduciary Fund Statements:	
Governmental Funds	\$ 2,245,170
Fiduciary Funds	129,454
Total	<u>\$ 2,374,624</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, the District's bank balance of \$2,532,083 was insured or collateralized as follows:

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

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk (continued)

Insured	\$ 250,000
Collateralized in the District's name under GUPA	<u>2,282,083</u>
Total	<u>\$ 2,532,083</u>

NOTE 4: ACCOUNTS RECEIVABLE

As of December 31, 2019, accounts receivables consisted of the following:

UFSA receivable	\$	11,317
Local fees receivable		2,224
Borough of Milltown Receivable		<u>32,500</u>
Total	\$	<u>46,041</u>

NOTE 5: INVESTMENTS HELD AT FAIR VALUE

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

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

C. Investment Credit Risk

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the District or bonds or other obligations of the local unit or units within which the District is located;

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

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

C. Investment Credit Risk (continued)

- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

D. Fair Value Measurement

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

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

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

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

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

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

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

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

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

D. Fair Value Measurement (continued)

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

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

The following table sets forth by level, within the value hierarchy, the District’s investments at fair value at December 31, 2019.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Registered investment companies	\$ 1,228,078	\$ -	\$ -	\$ 1,228,078
Total investments held at fair value	<u>\$ 1,228,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,228,078</u>

NOTE 6: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with the Variable Life Insurance Company (Valic) totaling \$145,953 as of December 31, 2019. Valic maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP Plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer’s ability to meet its financial obligations.

The fixed account continues in-force until they are terminated by Valic or the LOSAP Plan. For this reason, such contracts are referred to as "evergreen" contracts and do not define a maturity date.

No events are probable of occurring might limit the ability of the LOSAP Plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP Plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value (See Note 2 W).

NOTE 7: CAPITAL ASSETS

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

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

NOTE 7: CAPITAL ASSETS (continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Construction in progress	\$ -	\$ 126,490	\$ -	\$ 126,490
Total construction in progress	-	126,490	-	126,490
Buildings	6,211,773	8,500	-	6,220,273
Vehicles, machinery and equipment	4,210,457	200,377	(87,391)	4,323,443
Total capital assets at historical costs	10,422,230	208,877	(87,391)	10,543,716
Accumulated depreciation:				
Buildings	(759,080)	(156,057)	-	(915,137)
Vehicles, machinery and equipment	(2,079,187)	(225,272)	47,144	(2,257,315)
Total accumulated depreciation	(2,838,267)	(381,329)	47,144	(3,172,452)
Total capital asset net of accumulated depreciation	\$ 7,583,963	\$ (45,962)	\$ (40,247)	\$ 7,497,754

NOTE 8: LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2019 the following changes occurred in liabilities reported in long-term debt:

	<u>Beginning Balance</u>	<u>Accrued/ increases</u>	<u>(Retired)/ (decreases)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 5,090,000	\$ -	\$ (321,000)	\$ 4,769,000	\$ 321,000
Investment in length of service awards program payable	1,135,388	303,634	(68,775)	1,439,356	65,325
Compensated absences	10,171	-	(10,171)	-	-
Net pension liability	510,648	-	(28,911)	481,737	-
Total	\$ 6,815,316	\$ 303,634	\$ (428,857)	\$ 6,690,093	\$ 386,325

A. Bonds payable

The General Obligation bonds Series 2013 issued by the Township of East Brunswick were dated March 21, 2013. The bonds are payable commencing in 2015 on March 15th and interest is payable on March 15th and September 15th commencing in September of 2014.

The following is a schedule of future minimum bond payments at December 31, 2019:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 250,000	\$ 121,200	\$ 371,200
2021	275,000	115,950	390,950

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

NOTE 8: LONG-TERM OBLIGATIONS (continued)

A. Bonds payable (continued)

2022	275,000	110,450	385,450
2023	285,000	104,850	389,850
2024	300,000	97,500	397,500
2025-2029	1,670,000	342,300	2,012,300
2030-2033	<u>1,430,000</u>	<u>84,480</u>	<u>1,514,480</u>
Total	<u>\$ 4,485,000</u>	<u>\$ 976,730</u>	<u>\$ 5,461,730</u>

On February 16, 2013 at the annual fire election the voters of the District approved the acquisition of a new fire truck and authorized the issuance of debt not to exceed \$750,000. The financing plan as a shared service agreement was approved by the State of New Jersey Local Finance Board and provided by the Township of East Brunswick under a bond payment agreement. The bond is payable annually on January 15, 2015 through January 15, 2021.

The following is a schedule of future minimum bond payments at December 31, 2019:

For the year ended

December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 71,000	\$ 6,692	\$ 77,692
2021	71,000	-	71,000
2022	71,000	-	71,000
2023	<u>71,000</u>	<u>-</u>	<u>71,000</u>
Total	<u>\$ 284,000</u>	<u>\$ 6,692</u>	<u>\$ 290,692</u>

NOTE 9: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
-------------	-------------------

- | | |
|---|--------------------------------------------------------------------------------------------|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |

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

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

4 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5 Members who were eligible to enroll on or after June 28, 2011

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

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

Contributions – The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2019, the District's contractually required contribution to PERS plan was \$26,007.

Components of Net Pension Liability – At December 31, 2019, the District's proportionate share of the PERS net pension liability was \$481,737. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

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

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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, 2018. The District's proportion measured as of June 30, 2019, was 0.0026753740% which was an increase of 0.0000800640% from its proportion measured as of June 30, 2018.

Balances at December 31, 2019 and December 31, 2018

	<u>12/31/2019</u>	<u>12/31/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2018
Deferred Outflows of Resources	\$ 103,915	\$ 140,412
Deferred Inflows of Resources	221,070	229,705
Net Pension Liability	481,737	510,648
District's portion of the plan's total Net Pension Liability	0.00267%	0.00259%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2019, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 measurement date is \$24,958. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,647	\$ 2,128
Changes of Assumptions	48,103	167,210
Net difference between projected and actual earnings on pension plan investments	-	7,604
Changes in proportion and differences between the District's contributions and proportion share of contributions	<u>47,165</u>	<u>44,128</u>
	<u>\$ 103,915</u>	<u>\$ 221,070</u>

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in proportion and differences between The District's contributions and proportionate share of contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

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

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ (19,594)
2021	(30,036)
2022	(43,344)
2023	(22,969)
2024	<u>(1,212)</u>
Total	<u>\$ (117,155)</u>

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

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

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

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	1 % Decrease	Current	1% Increase
	(5.28%)	Discount Rate	(7.28%)
		(6.28%)	
District's proportionate share of the Net Pension Liability	\$ <u>612,746</u>	\$ <u>481,737</u>	\$ <u>377,520</u>

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM

The District's length of service awards program ("LOSAP"), which is reported in the District's general fund, was created by a resolution adopted on November 12, 1998 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The voters of the District approved the adoption of the LOSAP at the general election held on February 20, 1999, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 1999. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

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

Contributions – If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 in the initial year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

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

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

The District elected to contribute up to \$1,717 for the year ended December 31, 2019, per eligible volunteer, into the LOSAP Plan. During the year ended December 31, 2019, the District contributed a total of \$65,325 to the LOSAP Plan. Participants direct the investment of the contributions into various investment options offered by the LOSAP Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the LOSAP Plan. The types of investment options, and the administering of such investments, rests solely with the LOSAP Plan Administrator.

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

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

Payment of Benefits – Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the LOSAP Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local LOSAP Plan administrator to payout a portion of vested accumulated deferrals entitled to vested accumulated deferrals. During the year ended December 31, 2019, payouts of \$68,775 were made to vested participants.

Forfeited Accounts – There were no forfeitures during the year ended December 31, 2019.

Investments – The investments of LOSAP reported on the governmental funds balance sheet are recorded at fair value and contract value.

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

NOTE 11: RISK MANAGMENT

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

A. Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds. Insurance coverage was maintained in amounts consistent with prior years. The District did not have any claims that exceeded coverage.

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

NOTE 11: RISK MANAGEMENT (continued)

B. New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior two years:

For the year ended December 31,	<u>Interest</u>	<u>Employee</u>	<u>Ending Balance</u>
2019	\$ -	\$ -	\$ 6,981
2018	-	-	6,981
2017	-	-	6,981
2016	-	428	6,981
2015	-	428	6,553

NOTE 12: COMMITMENTS

The District entered into a contract with the Old Bridge Volunteer Fire Company for fire protection services and the rental of administrative office space. The contract term is for one year terminating on December 31, 2019, unless otherwise renewed and extended. The District incurred fire protection and rent expense in the amount of \$328,000 for the year ended December 31, 2019.

NOTE 13: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the District, as provided for by the state statute. For the year ended December 31, 2019, the fire tax rate on the Fire District No. 1 was approximately \$.289 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a Supplemental Fire Services Grant of \$6,379.

NOTE 14: INTERFUND RECEIVABLE/PAYABLE

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

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 880,963	\$ 7,974
Capital projects	-	785,509
Unemployment	6,981	-
Dedicated penalties	993	-
Payroll trust	-	95,454
Totals	<u>\$ 888,937</u>	<u>\$ 888,937</u>

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

NOTE 14: INTERFUND RECEIVABLE/PAYABLE (continued)

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and District Wide, which are presented as Internal Balances in the District Wide Statement of Net Position.

NOTE 15: FUND BALANCE

General Fund – Of the \$3,399,656 General Fund balance at December 31, 2019, \$1,439,356 has been restricted for length of service award program; \$340,000 has been assigned for subsequent year's expenditures and \$1,620,300 is unassigned.

Capital Projects Fund – Of the \$120,110 Capital Projects Fund balance at December 31, 2019, \$120,110 has been restricted for Capital.

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

NOTE 16: SUBSEQUENT EVENT

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus is reported to have spread globally. The coronavirus outbreak is still evolving and its effects remain unknown. The District is unable to predict how changing global economic conditions such as the COVID-19 coronavirus will affect the District's operations.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Budgetary Comparison Schedule
For the year ended December 31, 2019

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Interest on investments	\$ 5,000	\$ 5,000	\$ 3,062	\$ (1,938)
Municipal assistance	9,000	9,000	9,000	-
Miscellaneous	-	-	7,734	7,734
Sale of assets	-	-	1,274	1,274
Total miscellaneous revenues	<u>14,000</u>	<u>14,000</u>	<u>21,070</u>	<u>7,070</u>
Operating grant revenues:				
Supplemental fire service act	5,352	5,352	6,379	1,027
Total operating grant revenue	<u>5,352</u>	<u>5,352</u>	<u>6,379</u>	<u>1,027</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	25,000	25,000	35,037	10,037
Other revenues	65,000	65,000	91,480	26,480
Total miscellaneous revenues offset with appropriations	<u>90,000</u>	<u>90,000</u>	<u>126,517</u>	<u>36,517</u>
Total revenues	<u>109,352</u>	<u>109,352</u>	<u>153,966</u>	<u>44,614</u>
Amount raised by taxation to support district budget	<u>2,057,837</u>	<u>2,057,837</u>	<u>2,057,837</u>	<u>-</u>
Total anticipated revenues	<u>2,167,189</u>	<u>2,167,189</u>	<u>2,211,803</u>	<u>44,614</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	181,524	181,524	147,007	34,517
Fringe benefits	253,687	253,687	160,207	93,480
Other expenditures:				
Elections	3,000	3,000	7,648	(4,648)
Insurance	82,667	82,667	103,160	(20,493)
Membership/Dues	5,000	5,000	2,521	2,479
Office expenses	73,000	73,000	56,546	16,454
Professional services	101,800	101,800	85,138	16,662
Travel expenses	2,000	2,000	-	2,000
Rental of office space	12,000	12,000	12,000	-
Utilities/phone/pagers	128,000	128,000	96,658	31,342
Advertising and publications	3,500	3,500	1,459	2,041
Building and office repairs	75,000	75,000	110,588	(35,588)
Total administration	<u>921,178</u>	<u>921,178</u>	<u>782,932</u>	<u>138,246</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2019

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Cost of operations and maintenance:				
Other expenditures:				
Old Bridge Vol. Fire Co	316,000	316,000	318,106	(2,106)
Maintenance and repair	151,000	151,374	178,875	(27,501)
Operating materials and supplies	76,600	76,600	20,313	56,287
Training and education	20,600	20,600	15,347	5,253
Traffic light maintenance	5,000	5,000	-	5,000
Uniforms and personal equipment	74,700	74,700	46,110	28,590
Contingent expenses	40,000	40,000	35,916	4,084
Communication equipment	60,000	65,000	65,523	(523)
Firefighting equipment	71,000	71,000	57,964	13,036
Safety officer equipment	8,000	8,000	956	7,044
Extraordinary firemens expense	5,000	5,000	105	4,895
Total cost of operations and maintenance	<u>827,900</u>	<u>833,274</u>	<u>739,215</u>	<u>94,059</u>
Operating appropriations offset with revenues:				
Salaries and wages	90,000	90,000	96,937	(6,937)
Total operating appropriations offset with revenues	<u>90,000</u>	<u>90,000</u>	<u>96,937</u>	<u>(6,937)</u>
Length of service awards program	75,000	75,000	64,037	10,963
Capital appropriations	<u>280,000</u>	<u>280,000</u>	<u>212,990</u>	<u>67,010</u>
Debt service for capital appropriations:				
Principal on bonds	321,000	321,000	321,000	-
Interest on bonds	132,111	132,111	132,111	-
Total debt service for capital appropriations	<u>453,111</u>	<u>453,111</u>	<u>453,111</u>	<u>-</u>
Total operating appropriations	<u>2,647,189</u>	<u>2,652,563</u>	<u>2,349,222</u>	<u>303,341</u>
Excess (efficiency) of revenues over (under) expenditures	(480,000)	(485,374)	(137,419)	347,955
Fund balance, January 1	<u>2,217,829</u>	<u>2,217,829</u>	<u>2,217,829</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,737,829</u>	<u>\$ 1,732,455</u>	<u>\$ 2,080,410</u>	<u>\$ 347,955</u>

RECAPITULATION OF FUND BALANCE

Restricted fund balance:			
Capital			\$ 120,110
Assigned fund balance:			
Designated for subsequent year's expenditures			340,000
Unassigned fund balance			<u>1,620,300</u>
Total - budgetary basis			<u>2,080,410</u>
Reconciliation to governmental fund statements (GAAP):			
Length of service awards program investment balance not recognized on the budgetary basis			<u>1,439,356</u>
Total fund balance per governmental funds (GAAP)			<u>\$ 3,519,766</u>

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

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue" From the Budgetary Comparison Schedule (C-1)	\$ 2,211,803
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in the value of investments	<u>239,597</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 2,451,400</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations" From the Budgetary Comparison Schedule (C-1)	\$ 2,349,222
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the LOSAP Plan:	
Length of service awards program district contribution	(64,037)
Participant withdrawals	<u>68,775</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 2,353,960</u>

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

	Measurement Date Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00267%	0.00259%	0.00288%	0.00256%	0.00258%	0.00254%	0.00263%
District's proportionate share of the net pension liability (asset)	\$ 481,737	\$ 510,648	\$ 671,043	\$ 758,943	\$ 578,738	\$ 475,571	\$ 503,063
District's covered-employee payroll	\$ 185,546	\$ 181,616	\$ 182,670	\$ 173,385	\$ 176,505	\$ 171,239	\$ 167,571
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259.63%	281.17%	367.35%	437.72%	327.89%	277.72%	300.21%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	31.20%	38.21%	42.74%	40.71%

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

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

	Year Ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 26,006	\$ 25,797	\$ 26,705	\$ 22,765	\$ 22,165	\$ 20,940	\$ 19,833
Contributions in relation to the contractually required contribution	(26,006)	(25,797)	(26,705)	(22,765)	(22,165)	(20,940)	(19,833)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	189,894	185,546	181,616	182,670	173,385	176,505	171,239
Contributions as a percentage of covered-employee payroll	13.70%	13.90%	14.70%	12.46%	12.78%	11.86%	11.58%

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to the Required Supplementary Information
December 31, 2019

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Long-Term Debt
Schedule of Serial Bond Payable
For the year ended December 31, 2019

Purpose	Date of Issue	Original Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Amount			
						Outstanding December 31, 2018	Issued	Retired	
Construction of Firehouse	2013	\$ 5,820,000	3/15/20	250,000	2.00%	\$ 4,735,000	\$ -	\$ 250,000	\$ 4,485,000
			3/15/21	275,000	2.00%				
			3/15/22	275,000	2.00%				
			3/15/23	285,000	2.00%				
			3/15/24	300,000	2.00%				
			3/15/25	315,000	3.00%				
			3/15/26	325,000	3.00%				
			3/15/27	340,000	3.00%				
			3/15/28	340,000	3.00%				
			3/15/29	350,000	3.00%				
			3/15/30	360,000	3.00%				
			3/15/31	365,000	3.00%				
			3/15/32	379,000	3.00%				
			3/15/33	326,000	3.00%				
Acquisition of Fire Apparatus	2014	750,000			Variable	355,000	-	71,000	284,000
			2020	71,000	Variable				
			2021	71,000	Variable				
			2022	71,000	Variable				
			2023	71,000	Variable				
						\$ 5,090,000	\$ -	\$ 321,000	\$ 4,769,000



Board of Fire Commissioners
Fire District No. 1 of the township of East Brunswick
County of Middlesex
East Brunswick, New Jersey

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

GENERAL COMMENTS AND RECCOMEDATIONS

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

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

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

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$6,000 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

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

Capital Assets

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

Examination of Cash Receipts

A test check of cash receipts was made.

Examination of Bills

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

Examination of Payroll

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

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on December 4, 2018 and adopted its operating budget on January 8, 2019.

Current Year's Findings

There were no current year findings.

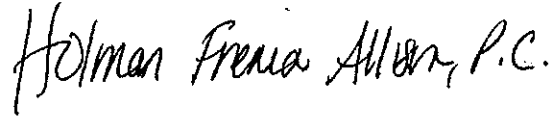
Follow-Up of Prior Year's Findings

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

Acknowledgment

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

Should you have any questions, please call us.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

September 10, 2020
Toms River, New Jersey

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
COUNTY OF MIDDLESEX**

As required by N.J.S.A. 40A:5A-15, the following is a synopsis of the audit of the financial statements and supplementary data for the year ended December 31, 2019.

**Governmental Funds
Balance Sheet
For the year ended December 31, 2019**

	Totals December 31, 2019
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,245,170
Accounts receivable	46,041
Other receivables	880,963
Total current assets	3,172,174
Noncurrent assets:	
Investment in length of service awards program	1,374,031
Total noncurrent assets	1,374,031
Total assets	\$ 4,546,205
Liabilities, equity and other credits:	
Accounts payable	\$ 231,714
Pension payable	1,242
Other payables	793,483
Total liabilities	1,026,439
Fund balances:	
Restricted for:	
Capital	120,110
Investment in length of service award program	1,439,356
Assigned for:	
For subsequent year's expenditures	340,000
Unassigned, reported in:	
General fund	1,620,300
Total fund balance	3,519,766
Total liabilities and fund balance	\$ 4,546,205

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2019

	Totals
	December 31,
	2019
Revenues:	
Miscellaneous anticipated revenue:	\$ 260,667
Total miscellaneous revenues	260,667
Operating grant revenues	6,379
Total operating grant revenue	6,379
Miscellaneous revenues offset with appropriations:	
Uniform fire safety act revenues	126,517
Other revenues offset with appropriations	126,517
Amount raised by taxation to support district budget	2,057,837
Total anticipated revenues	2,451,400
Expenditures:	
Operating appropriations:	
Administration	
Salaries and wages	147,007
Fringe benefits	160,207
Other expenditures	475,718
Total administration	782,932
Cost of operations and maintenance	739,215
Total cost of operations and maintenance	739,215
Operating appropriations offset with revenues	
Salaries and wages	96,937
Total operating appropriations offset with revenues	96,937
Length of service award program	68,775
Total operating appropriations	1,687,859
Capital appropriations	212,990
Debt Service for capital appropriations	453,111
Total governmental expenditures	2,353,960
Excess of revenues over expenditures	97,440
Fund balance, January 1	3,422,326
Fund balance, December 31	\$ 3,519,766

For the year ended December 31, 2019, there were no recommendations submitted.

The above synopsis was prepared from the report of the audit of the Fire District No. 1 of the Township of East Brunswick as of December 31, 2019.

This report of audit, submitted by Holman Frenia Allison, P.C., Certified Public Accountants, is on file at the office of the Fire District No. 1 of the Township of East Brunswick, 680 Old Bridge Turnpike, East Brunswick, New Jersey and may be inspected by any interested person.