



HOLMAN | FRENIA  
ALLISON, P.C.

*Certified Public Accountants & Consultants*

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333  
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612  
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800  
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

[www.hfacpas.com](http://www.hfacpas.com)

August 23, 2019

To the Board of Fire Commissioners  
Fire District No. 1 of the Township of East Brunswick

We have audited the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Fire District No. 1 of the Township of East Brunswick for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fire District No. 1 of the Township of East Brunswick are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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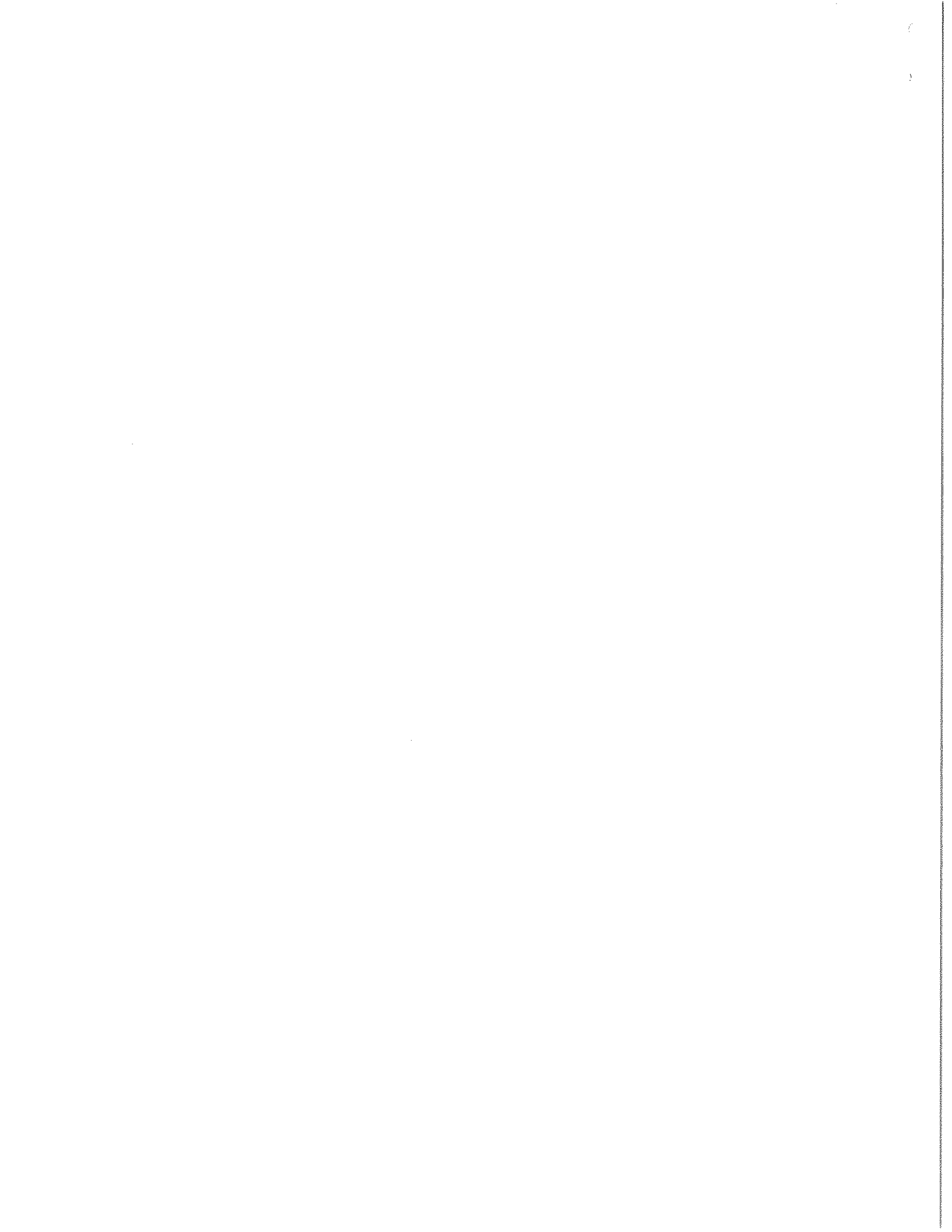
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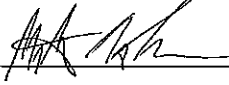
**APPENDIX B**

**AUDIT QUESTIONNAIRE FOR FIRE DISTRICT AUDITS**

Each question must be answered. Please circle Yes or No. If any are not applicable, insert N/A as your answer.

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YEAR UNDER AUDIT December 31, 2018

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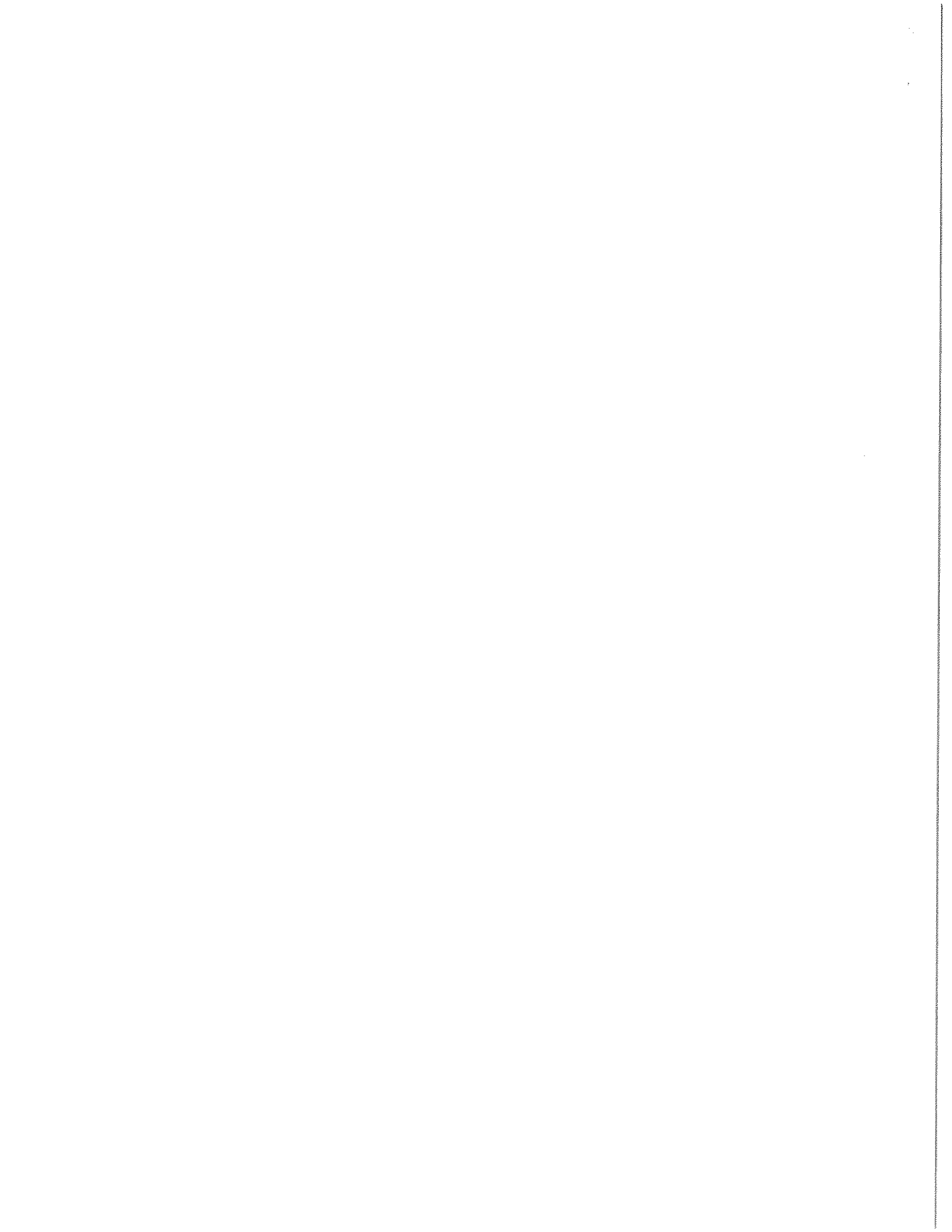
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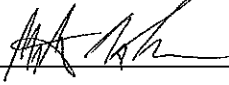
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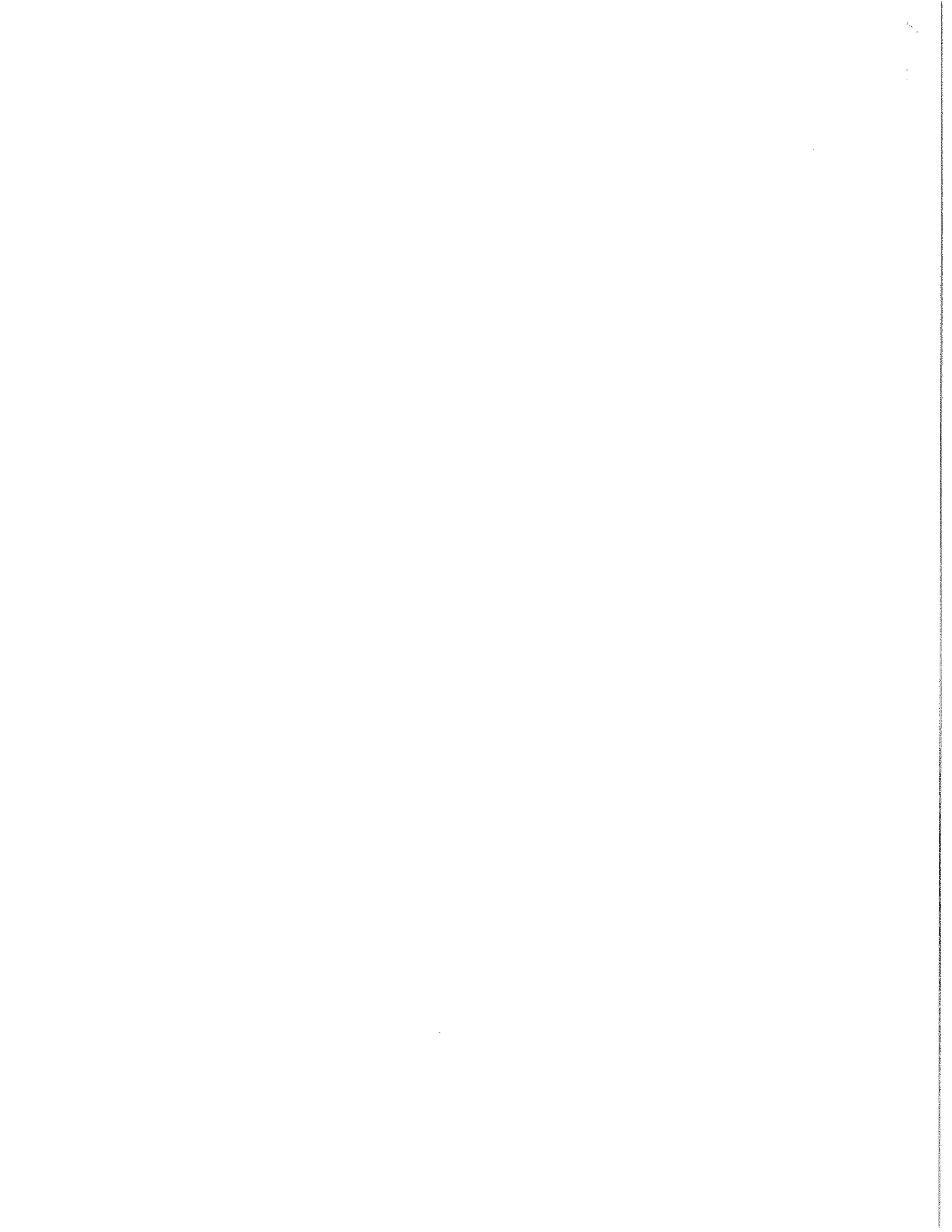
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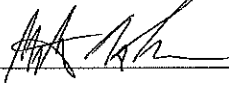
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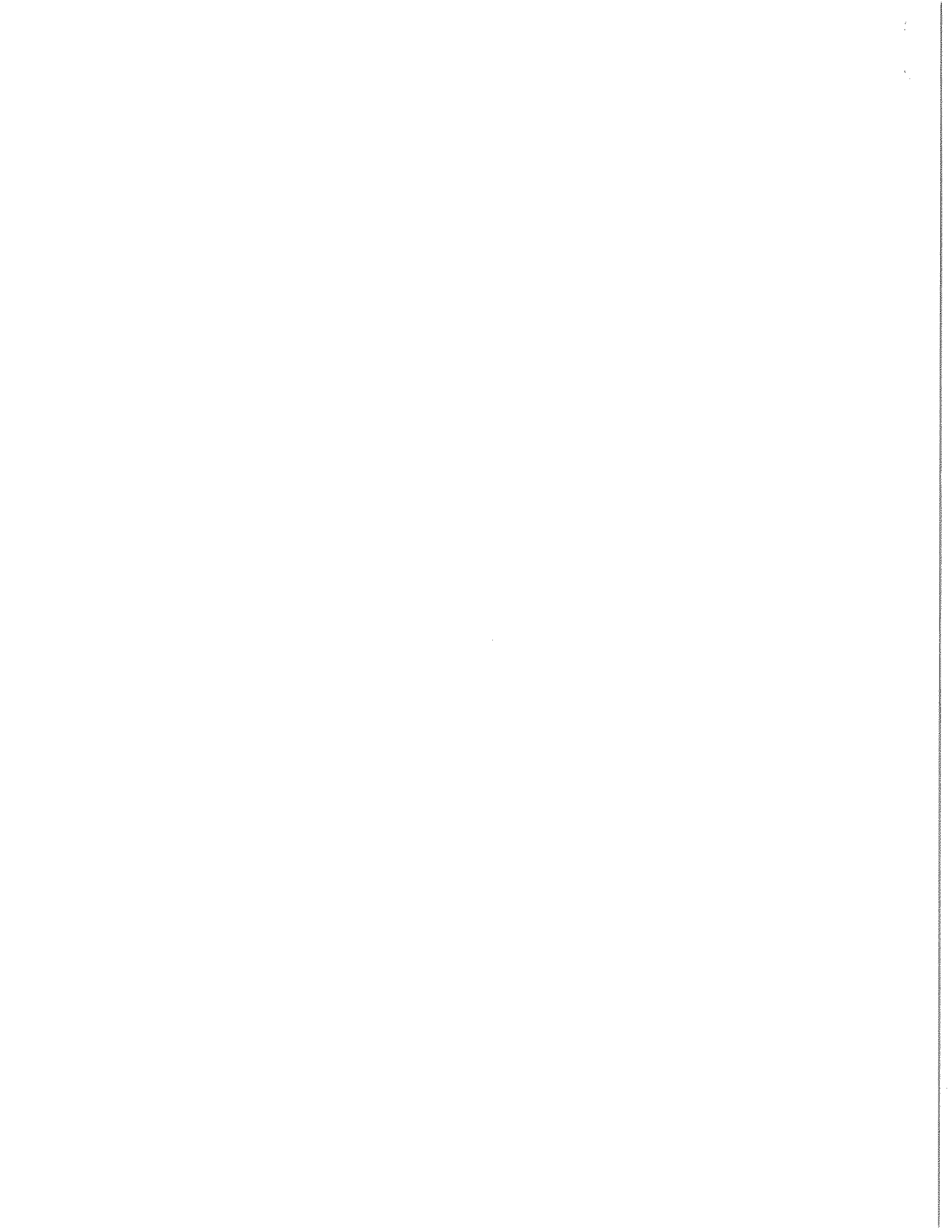
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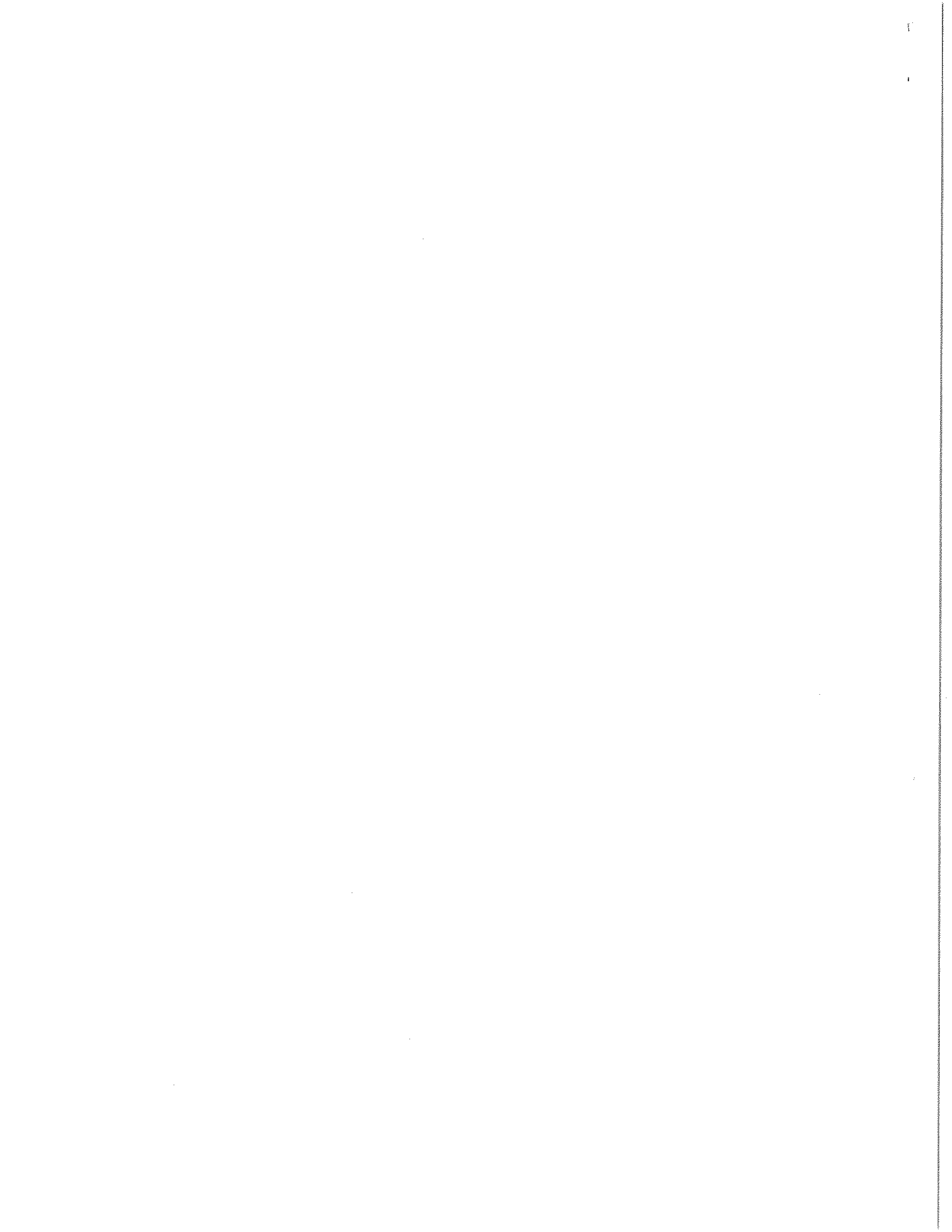
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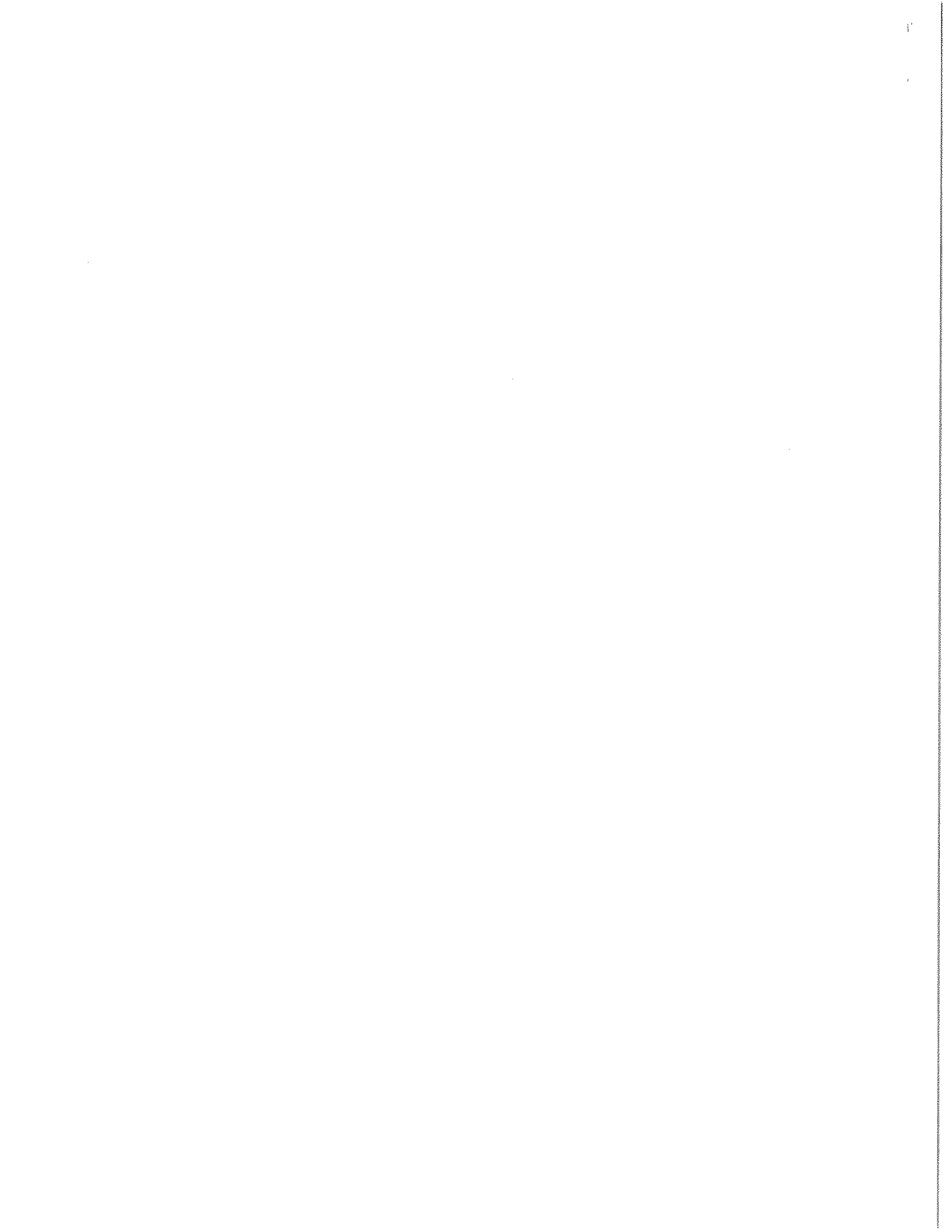
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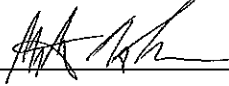
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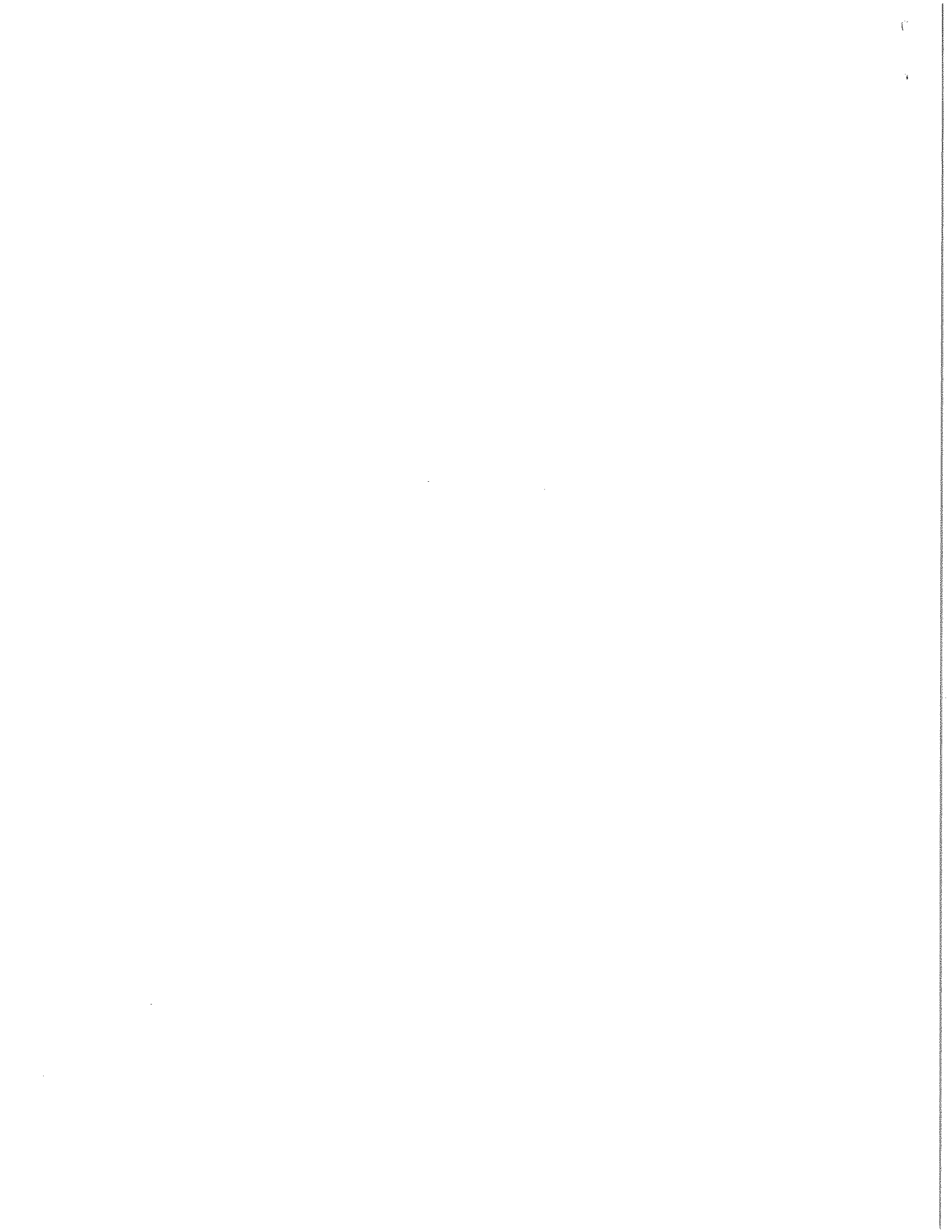
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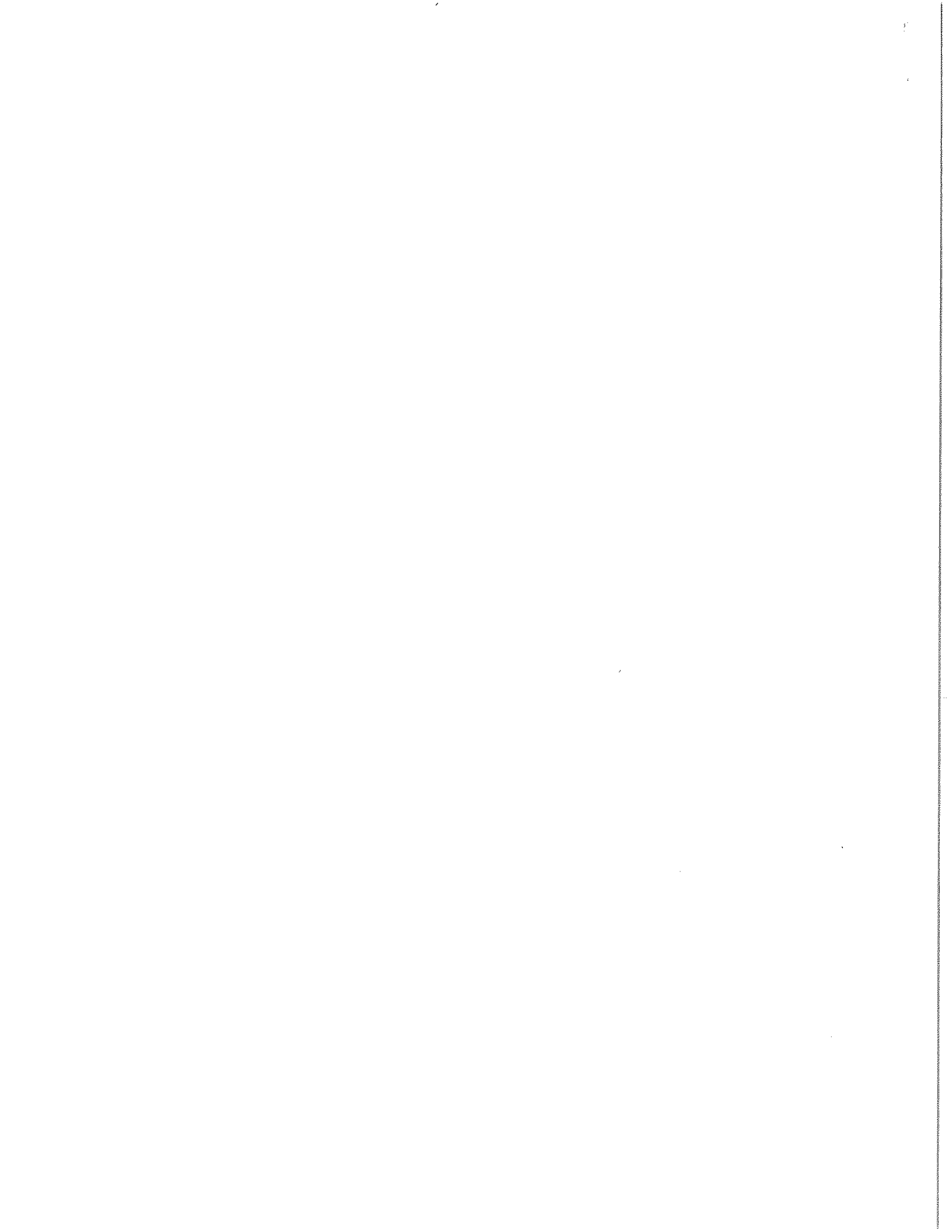
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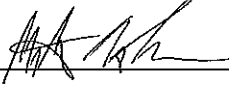
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YEAR UNDER AUDIT December 31, 2018

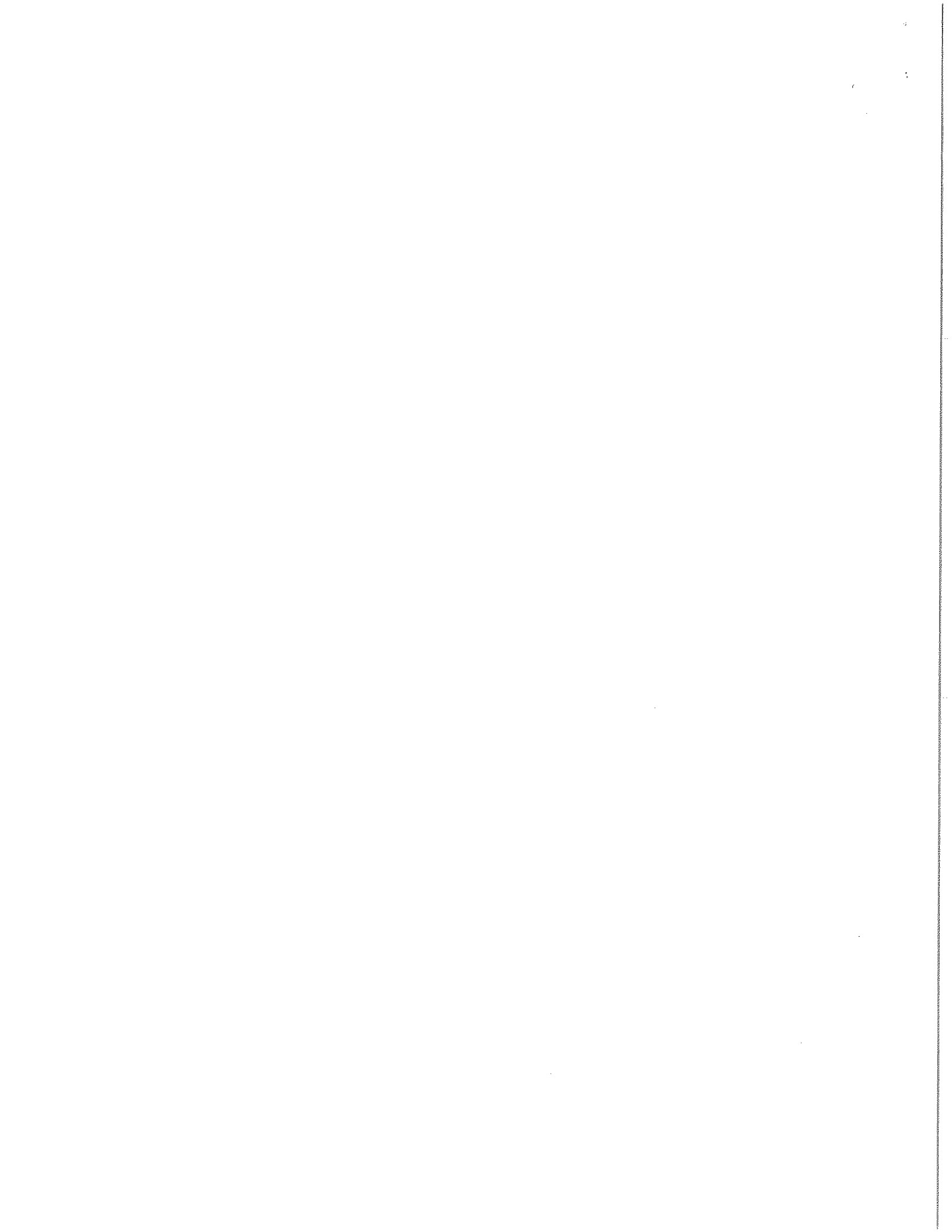
AUDITOR SIGNATURE 

AUDITOR FIRM Holman Frenia Allison, P.C.

AUDITOR ADDRESS 680 Hooper Avenue, Buildig B, Suite 201  
Toms River, New Jersey 08753

AUDITOR PHONE # (732) 797-1333

"NO" answers must be explained in detail. Attach additional sheets if more space is required. Answers to questions which indicate corrections or improvements are required must be covered by comment and recommendation in the audit report. If not covered, explain in detail.





HOLMAN | FRENIA  
ALLISON, P.C.

*Certified Public Accountants & Consultants*

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333  
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612  
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[www.hfacpas.com](http://www.hfacpas.com)

August 23, 2019

To the Board of Fire Commissioners  
Fire District No. 1 of the Township of East Brunswick

We have audited the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Fire District No. 1 of the Township of East Brunswick for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fire District No. 1 of the Township of East Brunswick are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.





*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 23, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. This information is intended solely for the use of the Board of Fire Commissioners and management of Fire District No. 1 of the Township of East Brunswick and is not intended to be, and should not be, used by anyone other than these specified parties.

**Restriction on Use**

This information is intended solely for the use of the Board of Fire Commissioners and management of Fire District No. 1 of the Township of East Brunswick and is not intended to be, and should not be, used by anyone other than these specified parties.

*Holman Frenia Allison, P.C.*  
**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 23, 2019  
Toms River, New Jersey



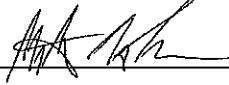
**APPENDIX B**

**AUDIT QUESTIONNAIRE FOR FIRE DISTRICT AUDITS**

Each question must be answered. Please circle Yes or No. If any are not applicable, insert N/A as your answer.

FIRE DISTRICT Fire District No. 1 of the Township of East Brunswick

YEAR UNDER AUDIT December 31, 2018

AUDITOR SIGNATURE 

AUDITOR FIRM Holman Frenia Allison, P.C.

AUDITOR ADDRESS 680 Hooper Avenue, Buildig B, Suite 201  
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AUDITOR PHONE # (732) 797-1333

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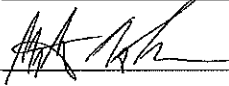
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FIRE DISTRICT Fire District No. 1 of the Township of East Brunswick

YEAR UNDER AUDIT December 31, 2018

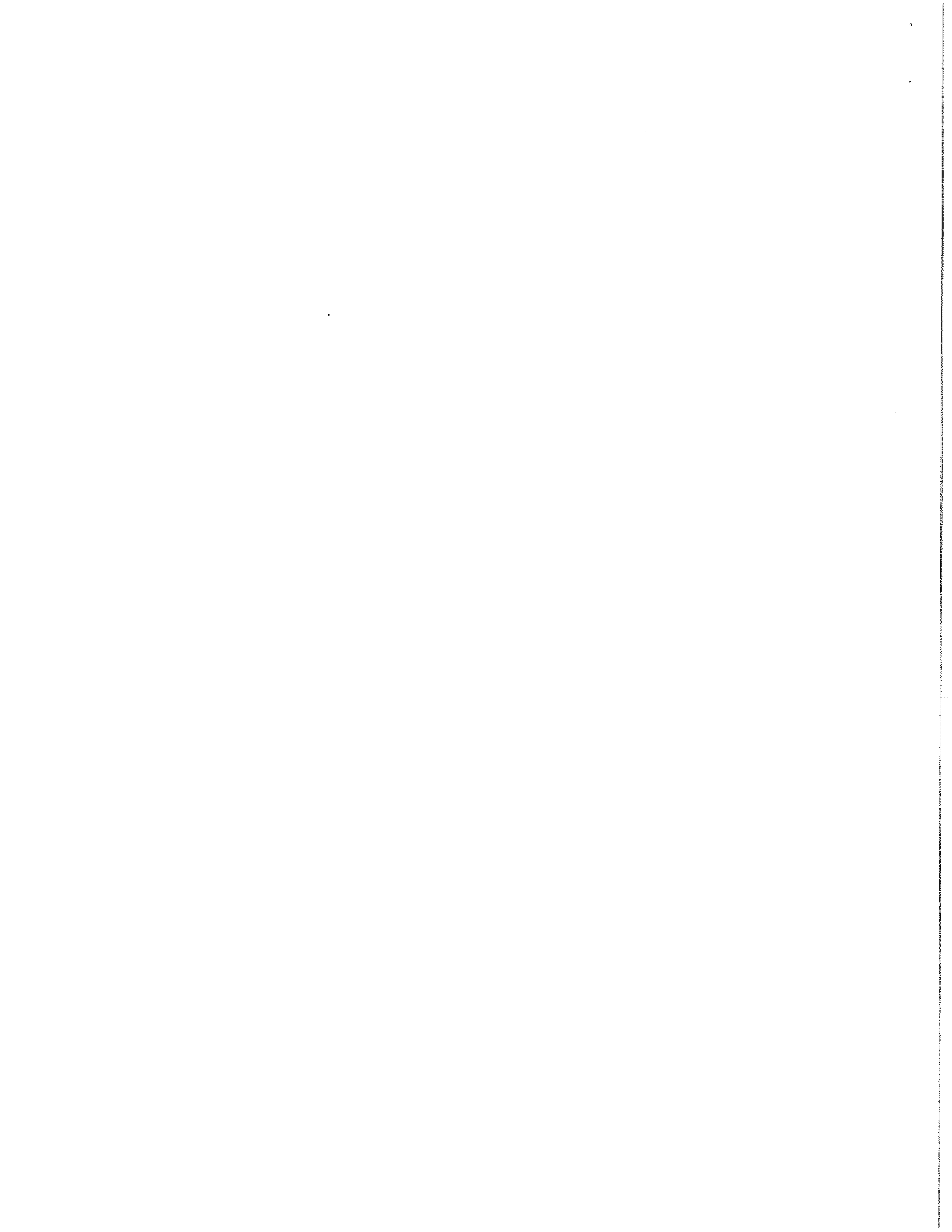
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# AUDIT QUESTIONNAIRE

FIRE DISTRICT Fire District No. 1 of the Township of East Brunswick

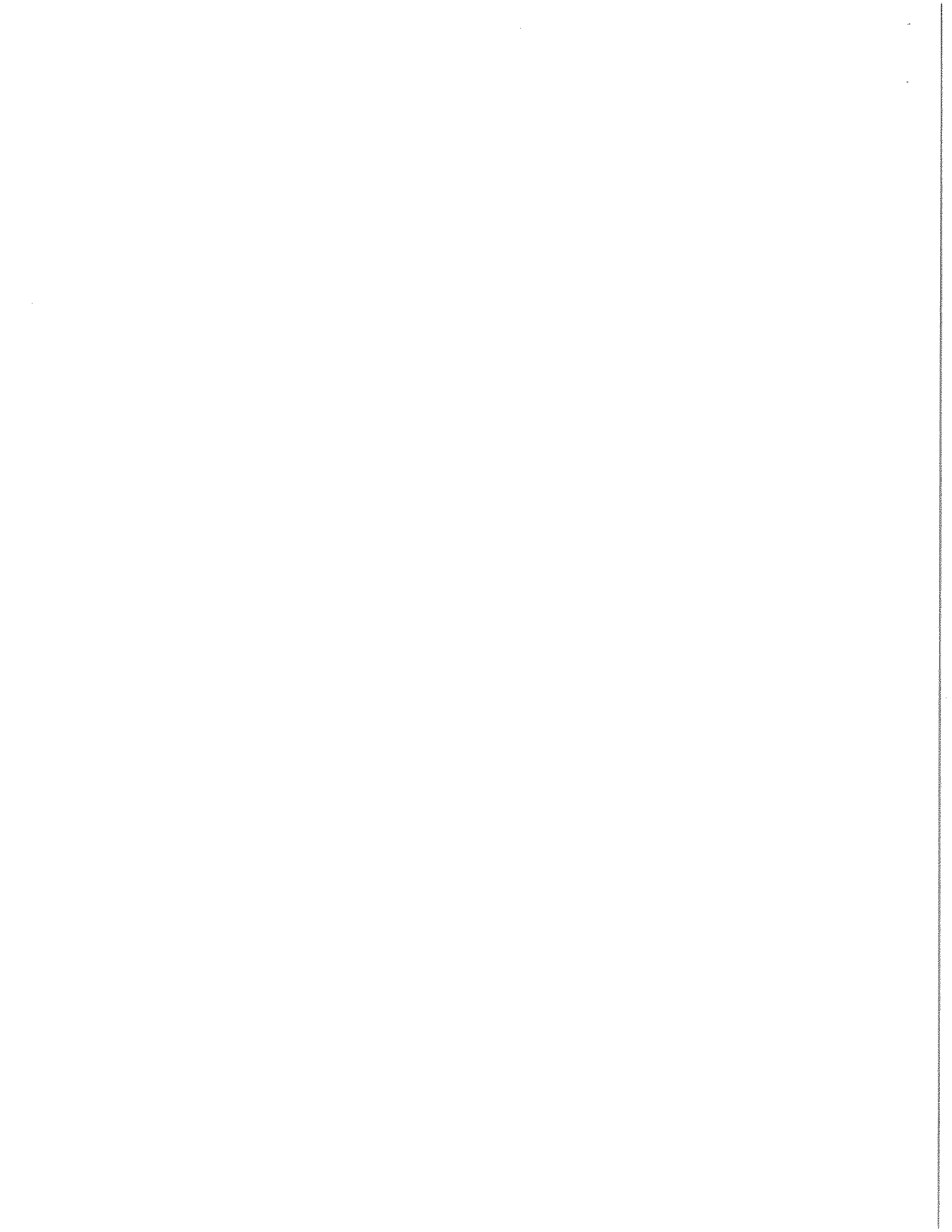
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## General

- |    |   |                                      |   |
|----|---|--------------------------------------|---|
| 1. | Is a general ledger maintained by the district?   | <input checked="" type="radio"/> YES | NO                                      |
| 2. | Are key employees bonded in amounts required by organization policy?                                      | <input checked="" type="radio"/> YES | NO                                      |
| 3. | Is insurance coverage in force for at least the following:  | <input checked="" type="radio"/> YES | NO                                      |
|    | Loss or damage to assets from fire and other hazards?   | <input checked="" type="radio"/> YES | NO                                      |
|    | Public liability and property damage?   | <input checked="" type="radio"/> YES | NO                                      |
|    | Robbery, burglary, theft and disappearance?   | <input checked="" type="radio"/> YES | NO                                      |
|    | Worker's compensation?  | <input checked="" type="radio"/> YES | NO                                      |
| 4. | Are loans to employees prohibited?  | <input checked="" type="radio"/> YES | NO                                      |
| 5. | Has the Bureau of Authority Regulation been notified of deficiencies in the accounting system or records? | YES                                  | NO <input checked="" type="radio"/> N/A |
| 6. | Has a corrective action plan been filed for the previous year audit report?                               | YES                                  | NO <input checked="" type="radio"/> N/A |

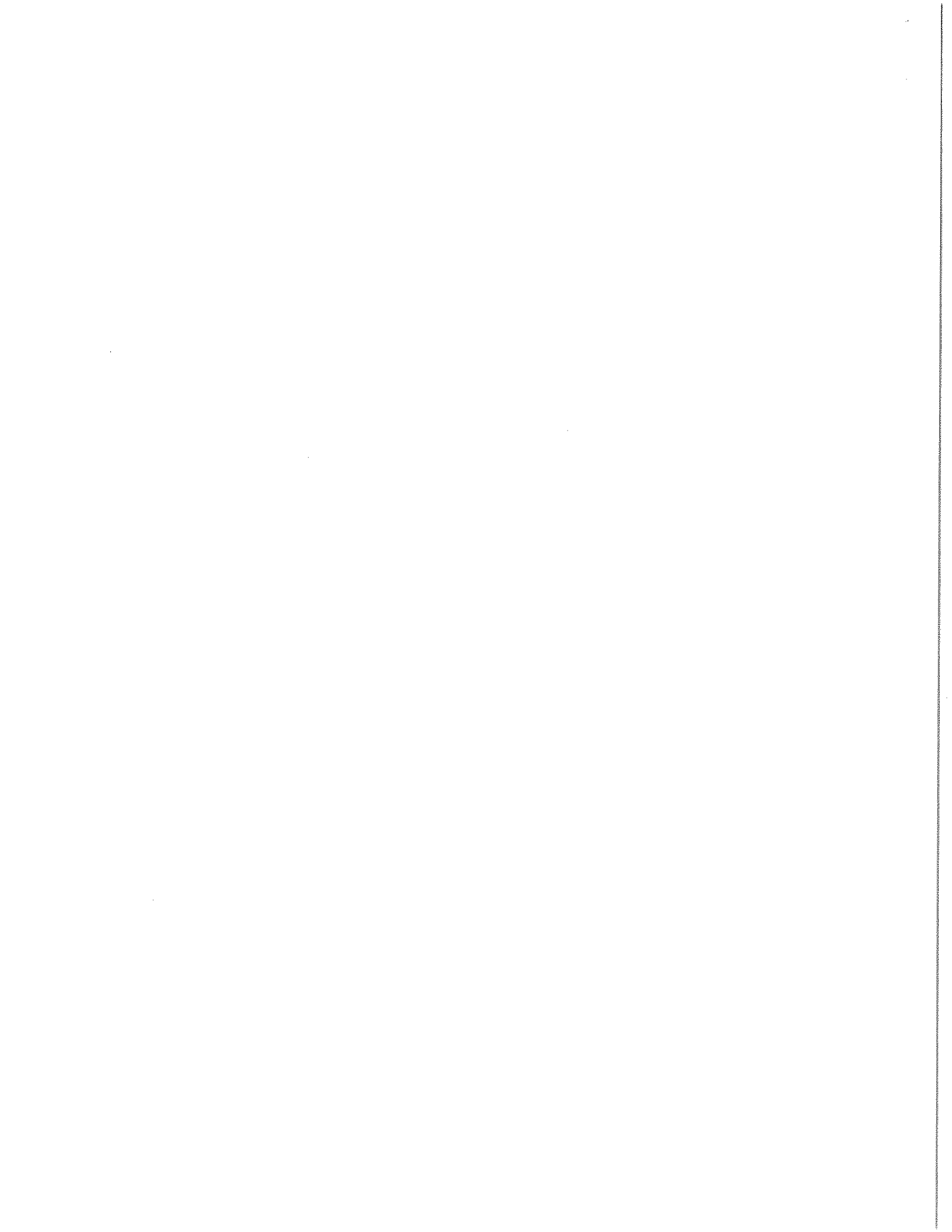
## Cash and Investments

- |    |   |                                      |                                     |
|----|---|--------------------------------------|-------------------------------------|
| 1. | Has the district adopted a cash management plan?  | <input checked="" type="radio"/> YES | NO                                  |
| 2. | Are all depositories and accounts authorized by resolution of the governing body?                                     | <input checked="" type="radio"/> YES | NO                                  |
| 3. | Are receipts deposited within 48 hours?   | <input checked="" type="radio"/> YES | NO                                  |
| 4. | Are the duties of personnel who receive and deposit cash separate from investments, cash disbursing, and bookkeeping? | YES                                  | <input checked="" type="radio"/> NO |
| 5. | Are cash receipts adequately safeguarded before deposit?  | <input checked="" type="radio"/> YES | NO                                  |
| 6. | Is responsibility for the petty cash fund vested in only one person?  | <input checked="" type="radio"/> YES | NO                                  |





- |     |   |                                      |   |
|-----|---|--------------------------------------|---|
| 7.  | Are petty cash disbursements supported by signed receipts which are attached to reimbursement vouchers? | <input checked="" type="radio"/> YES | NO                                      |
| 8.  | Are check signers designated by resolution?   | <input checked="" type="radio"/> YES | NO                                      |
| 9.  | If a mechanical check signer issued, is the signature plate under adequate control?                     | YES                                  | NO <input checked="" type="radio"/> N/A |
|     | Are there procedures to control and record the check numbers and amount of check signed?                | <input checked="" type="radio"/> YES | NO                                      |
| 10. | Is there adequate security over blank checks?   | <input checked="" type="radio"/> YES | NO                                      |
| 11. | Are the duties of personnel who disburse cash separate from the function of approving vouchers?         | <input checked="" type="radio"/> YES | NO                                      |
| 12. | Are bank statements reconciled monthly?   | <input checked="" type="radio"/> YES | NO                                      |
|     | Is the sequence of check numbers accounted for?   | <input checked="" type="radio"/> YES | NO                                      |
|     | Are check endorsements scrutinized?   | <input checked="" type="radio"/> YES | NO                                      |
| 13. | Are outstanding checks older than 6 months investigated?  | <input checked="" type="radio"/> YES | NO                                      |
| 14. | Are investments under the control of a responsible official who does not receive or disburse cash?      | <input checked="" type="radio"/> YES | NO                                      |
| 15. | Are all investments issued in the name of the district?   | <input checked="" type="radio"/> YES | NO                                      |
| 16. | Are all investment transactions approved by the governing body?   | <input checked="" type="radio"/> YES | NO                                      |
| 17. | Are all investments permitted by law or bond agreement?   | <input checked="" type="radio"/> YES | NO                                      |
| 18. | Are perpetual records of investments reflecting all pertinent information maintained?                   | <input checked="" type="radio"/> YES | NO                                      |
| 19. | Is interest income verified?  | <input checked="" type="radio"/> YES | NO                                      |
|     | Is it promptly recorded in the accounting records?  | <input checked="" type="radio"/> YES | NO                                      |
| 20. | Are investments examined periodically and verified with the detail record and control account?          | <input checked="" type="radio"/> YES | NO                                      |
| 21. | Are investments protected against loss or theft?  | <input checked="" type="radio"/> YES | NO                                      |



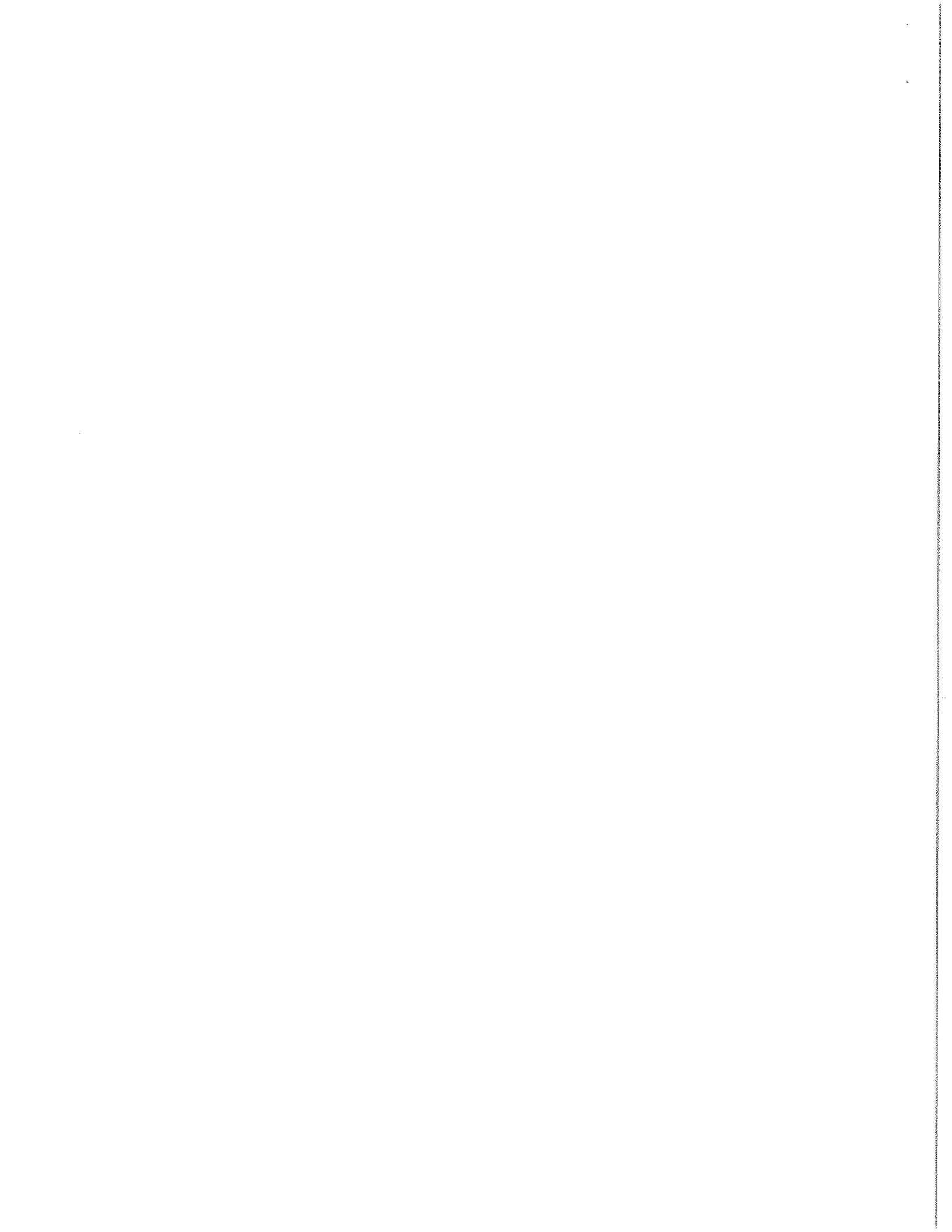
Accounts Receivable and Income

*(District Taxes, User Charges and Miscellaneous)*

- |    |  |                                      |                                     |
|----|--|--------------------------------------|-------------------------------------|
| 1. | Has the district tax levy been verified with the Abstract of Ratables?   | <input checked="" type="radio"/> YES | NO                                  |
| 2. | Does the district tax revenue agree to the tax levy?   | <input checked="" type="radio"/> YES | NO                                  |
| 3. | Are billings to users independently verified?  | <input checked="" type="radio"/> YES | NO                                  |
| 4. | Is there segregation of duties between accounts receivable , record maintenance, billing, and receipt of cash? | YES                                  | <input checked="" type="radio"/> NO |
| 5. | Are total accounts receivable balances verified with the accounts receivable control periodically?             | <input checked="" type="radio"/> YES | NO                                  |
| 6. | Are delinquent accounts receivable reviewed and collection procedures initiated by a responsible official?     | <input checked="" type="radio"/> YES | NO                                  |
| 7. | Are accounts receivable records promptly posted?   | <input checked="" type="radio"/> YES | NO                                  |
|    | Billings to users?   | <input checked="" type="radio"/> YES | NO                                  |
|    | Cash receipts?   | <input checked="" type="radio"/> YES | NO                                  |
| 8. | Are adjustments to accounts receivable approved by a responsible official?                                     | <input checked="" type="radio"/> YES | NO                                  |

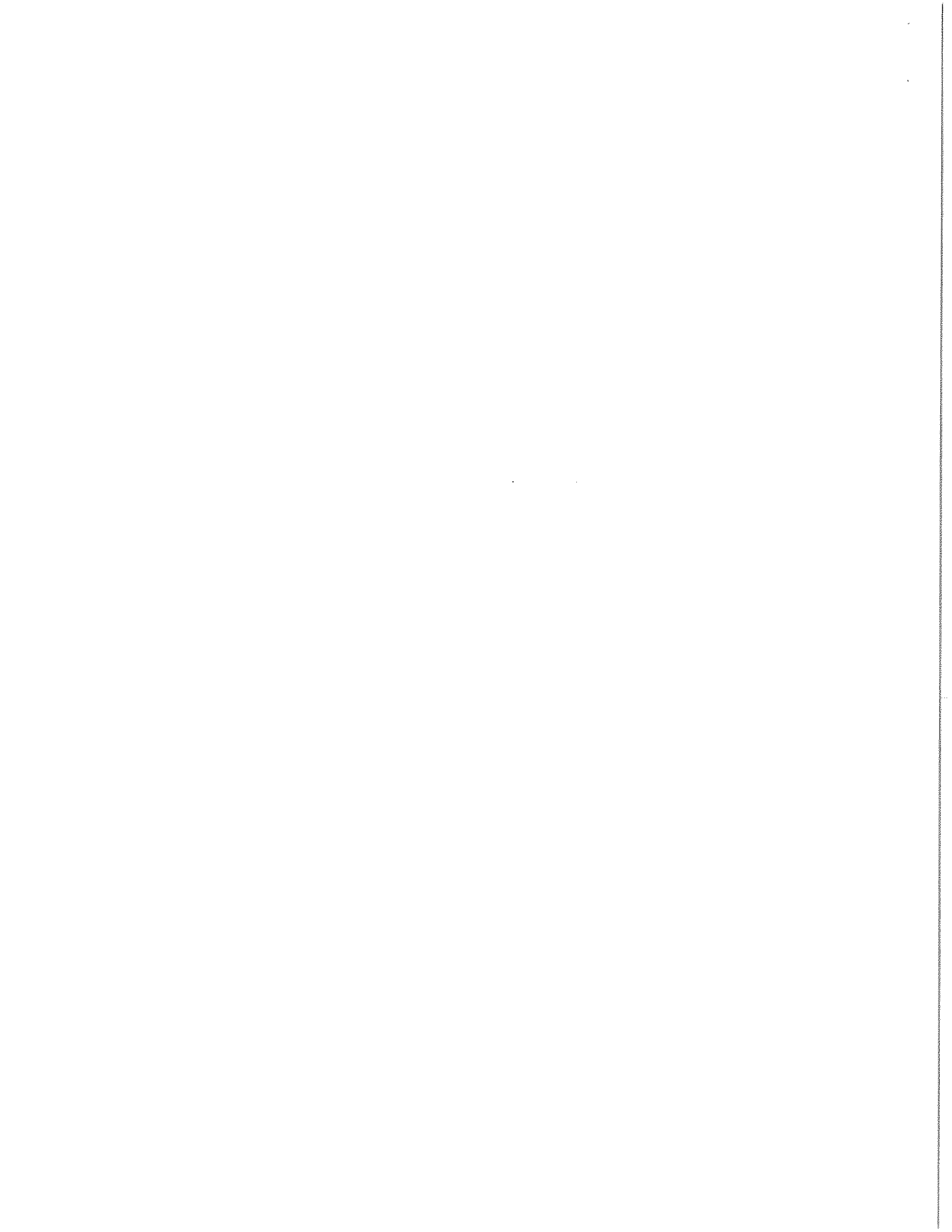
Inventory

- |    |   |                                      |    |
|----|---|--------------------------------------|----|
| 1. | Is the storage area properly safeguarded to prevent damage to materials and unauthorized removal? | <input checked="" type="radio"/> YES | NO |
| 2. | Do quantities appear reasonable for normal consumption?   | <input checked="" type="radio"/> YES | NO |
| 3. | Are physical inventories taken annually?  | <input checked="" type="radio"/> YES | NO |



Accounts Payable and Purchasing

- |    |  |                                  |                                  |
|----|--|----------------------------------|----------------------------------|
| 1. | Are the following requirements of the Local Public Contracts Law (40A:11) being followed and documented: | <input checked="" type="radio"/> | NO                               |
|    | Competitive bidding and contract award?  | <input checked="" type="radio"/> | NO                               |
|    | Informal quotations on purchases not requiring public bidding (40A:11-6.1)?                              | <input checked="" type="radio"/> | NO                               |
|    | Certificate of availability of funds prior to award of contracts (Reg.5:30-14.5)?                        | <input checked="" type="radio"/> | NO                               |
|    | Resolutions adopted and advertised authorizing agreements for professional services (40A:11-5)?          | <input checked="" type="radio"/> | NO                               |
|    | Emergency purchases and contracts (40A:11-6)?  | <input checked="" type="radio"/> | NO                               |
| 2. | Are prenumbered purchase orders issued for all purchases, except petty cash purchases?                   | <input checked="" type="radio"/> | NO                               |
| 3. | Is there a record of all purchase orders issued?   | <input checked="" type="radio"/> | NO                               |
| 4. | Are quantities and description of materials and supplies received:                                       | <input checked="" type="radio"/> | NO                               |
|    | Compared to purchase orders?   | <input checked="" type="radio"/> | NO                               |
|    | Compared to vendors' invoices?   | <input checked="" type="radio"/> | NO                               |
|    | Verified with packing or delivery slips?   | <input checked="" type="radio"/> | NO                               |
| 5. | Are open purchase orders reviewed periodically?  | <input checked="" type="radio"/> | NO                               |
| 6. | Do vouchers approved for payment contain:  | <input checked="" type="radio"/> | NO                               |
|    | Signature of person who verified quantities and description of materials received or services rendered?  | <input checked="" type="radio"/> | NO                               |
|    | Copies of purchase order, delivery slips, etc.?  | <input checked="" type="radio"/> | NO                               |
| 7. | Were all vouchers approved by the governing body?  | <input checked="" type="radio"/> | NO                               |
| 8. | Is there segregation of duties between the purchasing, receiving and cash disbursement functions?        | YES                              | <input checked="" type="radio"/> |
| 9. | Are total accounts payable balances verified with the accounts payable control periodically?             | <input checked="" type="radio"/> | NO                               |

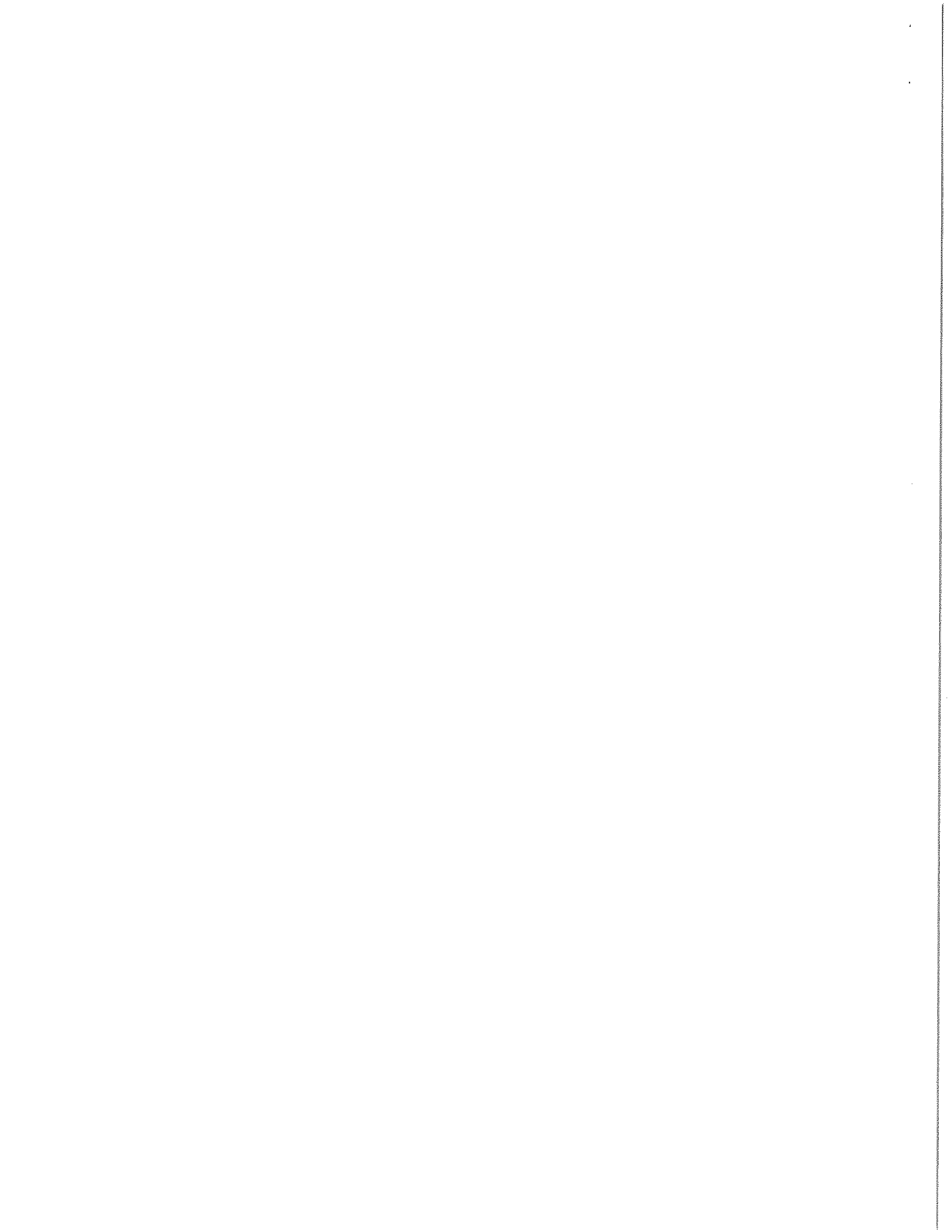


Payroll

- |    |   |       |    |
|----|---|-------|----|
| 1. | Are the functions of payroll preparation and distribution separated?                                  | (YES) | NO |
| 2. | Are names added to and deleted from payroll and rates of pay changed only upon written authorization? | (YES) | NO |
| 3. | Are new employees, employee promotions and rates of pay approved by the governing body?               | (YES) | NO |
| 4. | Are payroll deductions promptly paid to the proper agencies?  | (YES) | NO |
| 5. | Are records maintained to control and verify vacation time, sick leave, etc., taken and accumulated?  | (YES) | NO |
| 6. | Are all employees paid by check?  | (YES) | NO |
| 7. | Is there a separate bank account for payroll disbursements?   | (YES) | NO |
|    | Are deposits in exact amount of payroll?  | (YES) | NO |
|    | Is the payroll bank balance reconciled monthly by someone independent of payroll preparation?         | (YES) | NO |
|    | Are payroll procedures established by resolution of the governing body?                               | (YES) | NO |

Property, Plant and Equipment

- |    |  |       |    |
|----|--|-------|----|
| 1. | Are detailed fixed asset records maintained?   | (YES) | NO |
|    | Are fixed assets properly identified with the fixed asset records?                             | (YES) | NO |
|    | Are additions and deletions properly authorized and promptly recorded?                         | (YES) | NO |
| 2. | Is the documentation substantiating the cost of fixed assets permanently filed?                | (YES) | NO |
| 3. | Is there a written policy defining items to be capitalized and those to be expensed?           | (YES) | NO |
| 4. | Does the capitalization of interest and other indirect costs conform to accounting principles? | (YES) | NO |
| 5. | Do fixed asset additions conform to the adopted or amended capital budget?                     | (YES) | NO |





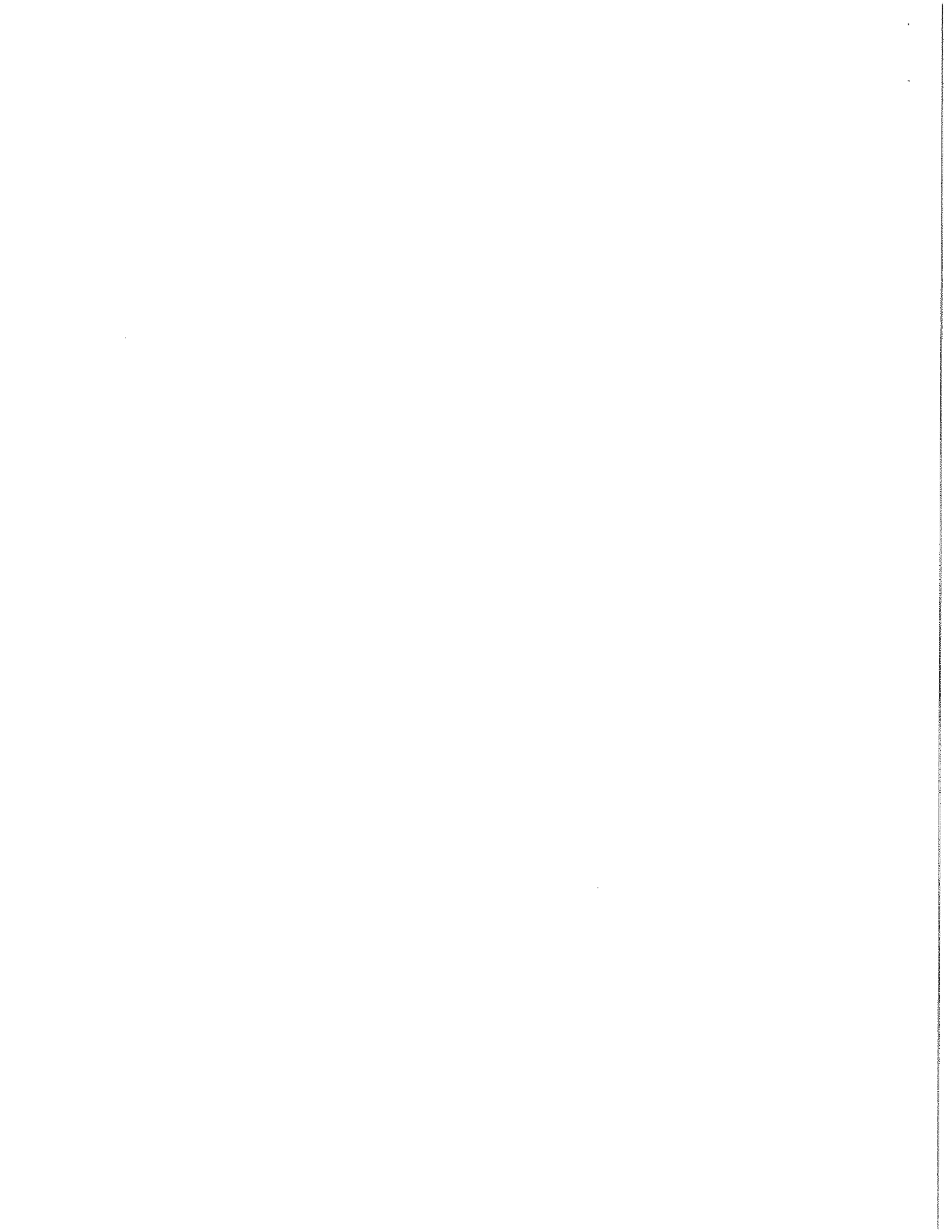
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|----|---|-------|----|
| 6. | Are fixed assets carried on the accounting records at cost or, if acquired by gift, at fair market value at date of gift? | (YES) | NO |
| 7. | Is a physical inventory of fixed assets taken periodically and verified to fixed asset records?                           | (YES) | NO |
| 8. | Are dispositions of fixed assets properly recorded and sales proceeds promptly accounted for in the accounting records?   | (YES) | NO |
| 9. | Are fixed assets properly safeguarded against loss by fire, unauthorized use or theft?                                    | (YES) | NO |

Long and Short Term Debt

- |    |   |       |    |
|----|---|-------|----|
| 1. | Is a detailed record such as a bond or note register maintained of debt issued and outstanding? | (YES) | NO |
|    | Are principal and interest due dates and amounts reflected and date of payment recorded?        | (YES) | NO |
| 2. | Are debt issues properly authorized by the governing body?                                      | (YES) | NO |
| 3. | Does the expenditure of borrowed funds conform to the purposes authorized?                      | (YES) | NO |
| 4. | Are paid bonds and notes properly cancelled and accounted for?                                  | (YES) | NO |
| 5. | Are required sinking fund deposits promptly made?   | (YES) | NO |

Capital Leases

- |    |  |       |    |
|----|--|-------|----|
| 1. | Have all capital leases been approved by the voters?                                   | (YES) | NO |
| 2. | Has the project financing for capital leases been approved by the Local Finance Board? | (YES) | NO |

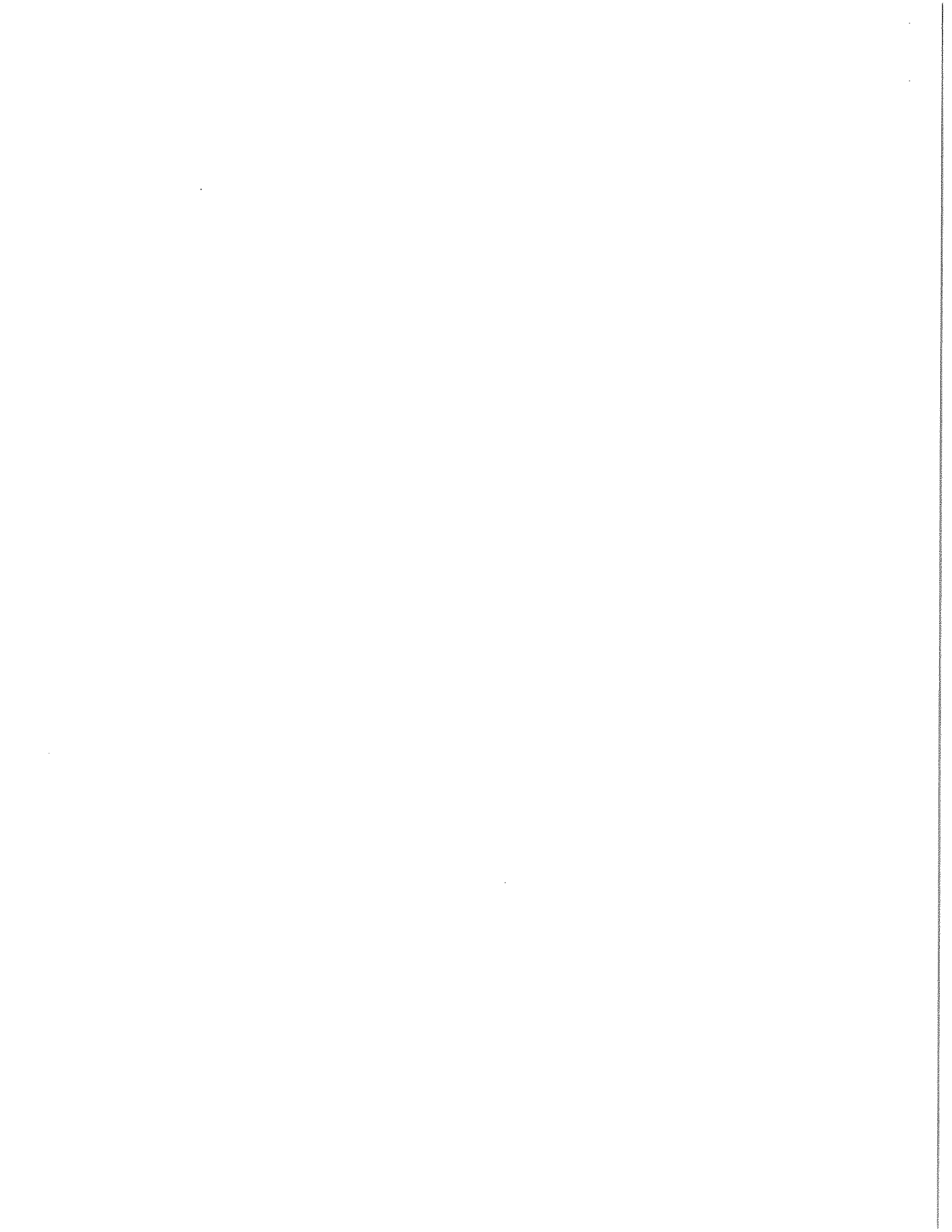


Budget System

- |    |   |                                      |    |
|----|---|--------------------------------------|----|
| 1. | Were the adopted operating and capital budgets and amendments there to approved by the Director of Local Government Services? | <input checked="" type="radio"/> YES | NO |
| 2. | Were the adopted budgets and amendments recorded in the minutes?  | <input checked="" type="radio"/> YES | NO |
| 3. | Are there sufficient controls to monitor expenses and revenues against budgeted amounts?                                      | <input checked="" type="radio"/> YES | NO |
| 4. | Is a budget status report periodically furnished to the governing body?   | <input checked="" type="radio"/> YES | NO |
| 5. | Are appropriations encumbered when purchase orders are issued?  | <input checked="" type="radio"/> YES | NO |
| 6. | Are fixed assets acquired through budget appropriations properly capitalized?   | <input checked="" type="radio"/> YES | NO |

Grant Management

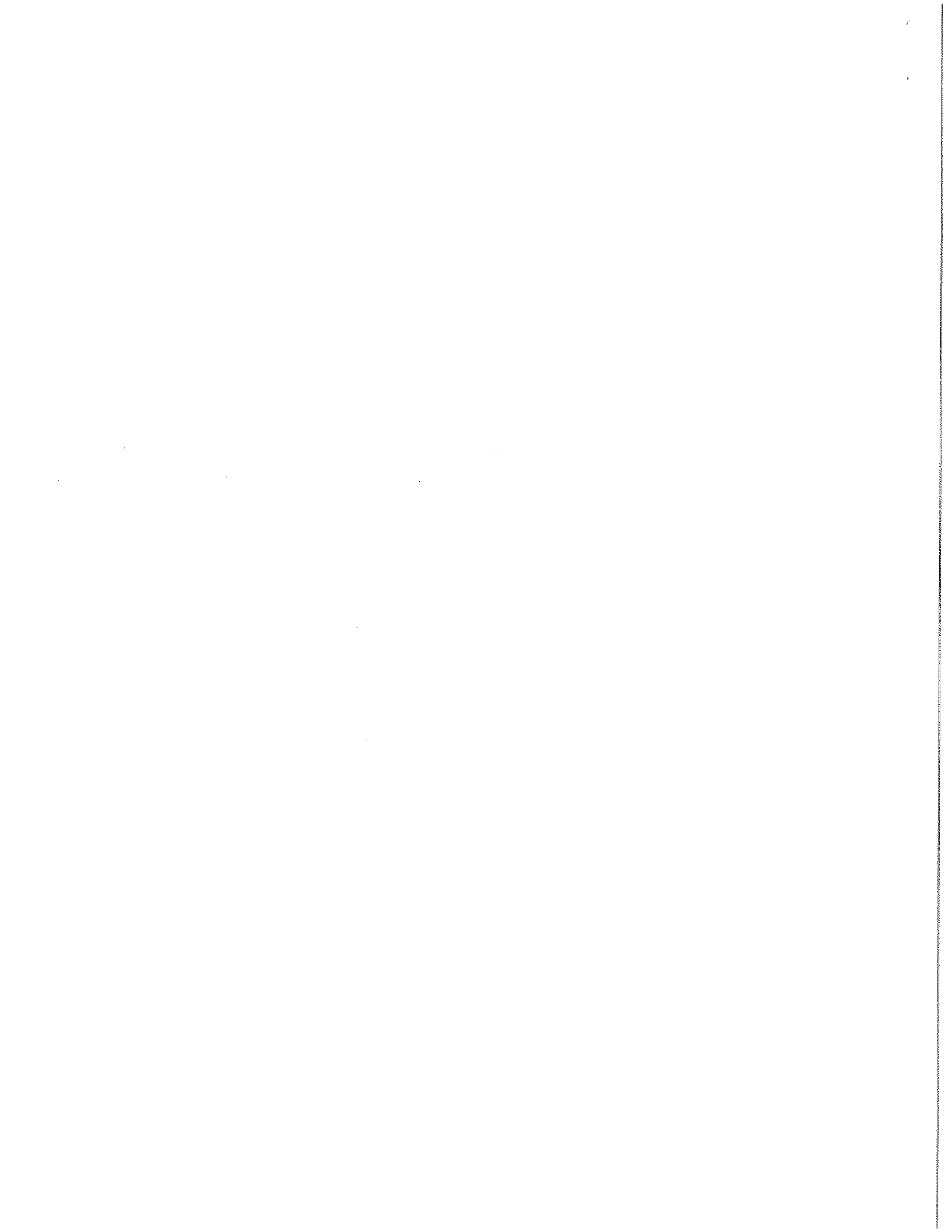
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|----|---|-----|---|
| 1. | Is a permanent file of each grant maintained?   | YES | NO <input checked="" type="radio"/> N/A |
| 2. | Does the accounting system provide details of eligible expenditures to be reimbursed from each grant? | YES | NO <input checked="" type="radio"/> N/A |
| 3. | Is each expenditure reviewed for compliance with the terms of the applicable grant?                   | YES | NO <input checked="" type="radio"/> N/A |
| 4. | Are all required reports promptly filed with the grant or agency?                                     | YES | NO <input checked="" type="radio"/> N/A |
| 5. | Were grant reimbursement requests filed promptly?   | YES | NO <input checked="" type="radio"/> N/A |
| 6. | Are assets acquired from grant funds properly identified?   | YES | NO <input checked="" type="radio"/> N/A |
| 7. | If indirect costs are chargeable to grants, has the method of allocation been approved?               | YES | NO <input checked="" type="radio"/> N/A |



Electronic Data Processing

- |     |  |                                      |    |
|-----|--|--------------------------------------|----|
| 1.  | Does the district utilize Electronic Data Processing for accounting or financial functions?<br><i>(If "no," disregard items 2 through 14).</i> | <input checked="" type="radio"/> YES | NO |
| 2.  | If "yes," was the system approved by the Division of Local Government Services?  | <input checked="" type="radio"/> YES | NO |
| 3.  | Are there sufficient audit trails to identify documents being processing and identify out put?   | <input checked="" type="radio"/> YES | NO |
| 4.  | Are master files updated periodically and on schedule prevent loss of data in transaction files?   | <input checked="" type="radio"/> YES | NO |
| 5.  | Are there periodic printouts of updated files by E.D.P. transactions?  | <input checked="" type="radio"/> YES | NO |
| 6.  | Are authorized users validated by user codes and passwords?  | <input checked="" type="radio"/> YES | NO |
| 7.  | Are terminals located in a secure area, to prevent access by unauthorized personnel?   | <input checked="" type="radio"/> YES | NO |
| 8.  | Are there copies of all critical materials such as programs, master files, transaction files, etc.?  | <input checked="" type="radio"/> YES | NO |
| 9.  | Are these copies stored in a safe location (off site or in a fire proof vault on site)?  | <input checked="" type="radio"/> YES | NO |
| 10. | Are mechanisms in place to guard against loss due to power failures, fire, flood, etc.?  | <input checked="" type="radio"/> YES | NO |

**The foregoing Questionnaire must be separately filed with the Division of Local Government Services for each report of Audit. It is not to be bound in the report.**



**Fire District No. 1 of the Township of East Brunswick  
Answers to Audit Questionnaire  
For the year ending December 31, 2018**

Cash and Investments

4. Due to the low number of paid employees, the fire district has elected not to separate the functions of cash receipts, depositing, disbursing and bookkeeping. These job functions are performed by one employee. An outside accountant comes in monthly to perform account reconciliations.

Accounts Receivable

5. Due to the low number of paid employees, the fire district has elected not to separate the functions of accounts receivable, record maintenance, billing and receipt of cash. These job functions are performed by one employee. An outside accountant comes in monthly to perform account reconciliations.

Accounts Payable and Purchasing

8. Due to the low number of paid employees, the fire district has elected not to separate the functions of purchasing, receiving and cash disbursement functions. These job functions are performed by one employee. An outside accountant comes in monthly to perform account reconciliations.



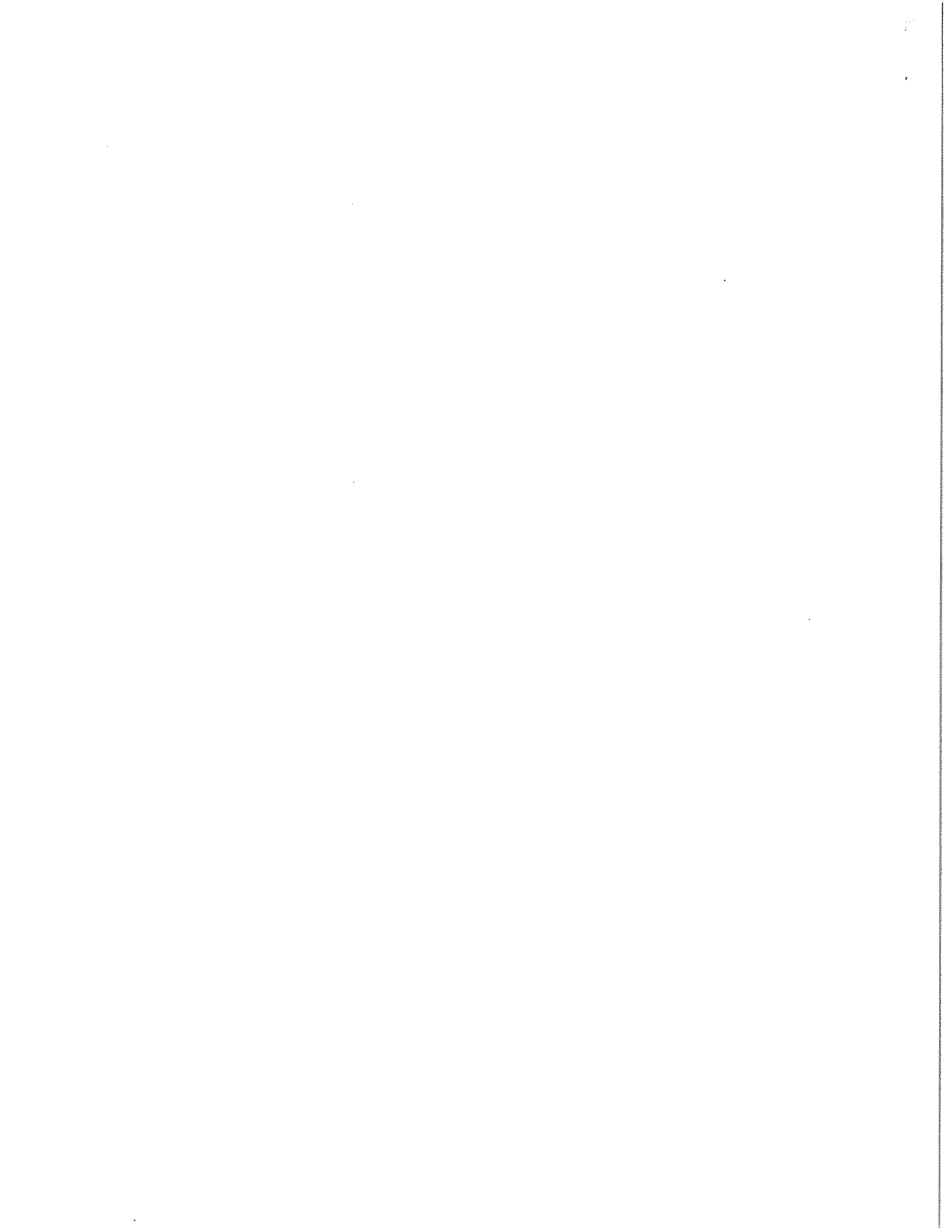


**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK  
COUNTY OF MIDDLESEX**

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, 2018.

**Governmental Funds  
Balance Sheet  
For the year ended December 31, 2018**

	<b>Totals</b>
	<b>December 31,</b>
	<b>2018</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 2,398,958
Accounts receivable	44,386
Other receivables	978,585
Total current assets	3,421,929
<b>Noncurrent assets:</b>	
Investment in length of service awards program	1,135,388
Total noncurrent assets	1,135,388
Total assets	\$ 4,557,317
 <b>Liabilities, equity and other credits:</b>	
Accounts payable	\$ 159,651
Pension payable	1,279
Other payables	974,061
Total liabilities	1,134,991
 <b>Fund balances:</b>	
<b>Restricted for:</b>	
Capital	53,100
Investment in length of service award program	1,204,497
<b>Assigned for:</b>	
For subsequent year's expenditures	480,000
Other purposes	5,374
<b>Unassigned, reported in:</b>	
General fund	1,679,355
Total fund balance	3,422,326
Total liabilities and fund balance	\$ 4,557,317



**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, 2018**

	<b>Totals</b>
	<b>December 31,</b>
	<b>2018</b>
Revenues:	
Miscellaneous anticipated revenue:	\$ 64,635
Total miscellaneous revenues	64,635
Operating grant revenues	5,352
Total operating grant revenue	5,352
Miscellaneous revenues offset with appropriations:	
Uniform fire safety act revenues	126,220
Other revenues offset with appropriations	126,220
Amount raised by taxation to support district budget	2,039,935
Total anticipated revenues	2,236,142
Expenditures:	
Operating appropriations:	
Administration	
Salaries and wages	150,985
Fringe benefits	190,697
Other expenditures	418,939
Total administration	760,621
Cost of operations and maintenance	643,649
Total cost of operations and maintenance	643,649
Operating appropriations offset with revenues	
Salaries and wages	94,666
Total operating appropriations offset with revenues	94,666
Length of service award program	149,527
Total operating appropriations	1,648,463
Capital appropriations	87,721
Debt Service for capital appropriations	442,545
Total governmental expenditures	2,178,729
Excess of revenues over expenditures	57,413
Fund balance, January 1	3,364,913
Fund balance, December 31	\$ 3,422,326

For the year ended December 31, 2018, 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, 2018.

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.



FIRE DISTRICTS  
GROUP AFFIDAVIT FORM

PRESCRIBED BY  
THE NEW JERSEY LOCAL FINANCE BOARD

AUDIT REVIEW CERTIFICATE

We, the members of the governing body of the \_\_\_\_\_  
being of full age and being duly sworn according to law, upon our oath depose and say:

We are duly appointed/elected (cross out one) members of the \_\_\_\_\_  
\_\_\_\_\_

We certify, pursuant to N.J.S.A.40A:5A-17, that we have each reviewed the annual audit report for the  
fiscal year ended \_\_\_\_\_, and specifically the sections of the audit report entitled  
"General Comments" and "Recommendations."

(PRINT-NAME)

(SIGNATURE)

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Sworn to and subscribe before me

this \_\_\_\_\_ day of \_\_\_\_\_, 20

\_\_\_\_\_  
Notary Public of New Jersey



**RESOLUTION**

WHEREAS, N.J.S.A.40A:5A-15 requires the governing body to each Fire District to cause an annual audit of its accounts to be made, and

WHEREAS, the annual audit report for the fiscal year ended \_\_\_\_\_ has been completed and filed with the \_\_\_\_\_ pursuant to N.J.S.A.40A:5A-15, and

WHEREAS, N.J.S.A.40A:-17, requires the governing body of each District to, within 45 days of receipt of the annual audit, certify by resolution to the Local Finance Board that each member thereof has personally reviewed the annual audit report, and specifically the sections of the audit report entitled "General Comments" and "Recommendations," in accordance with N.J.S.A.40A:5A-17.

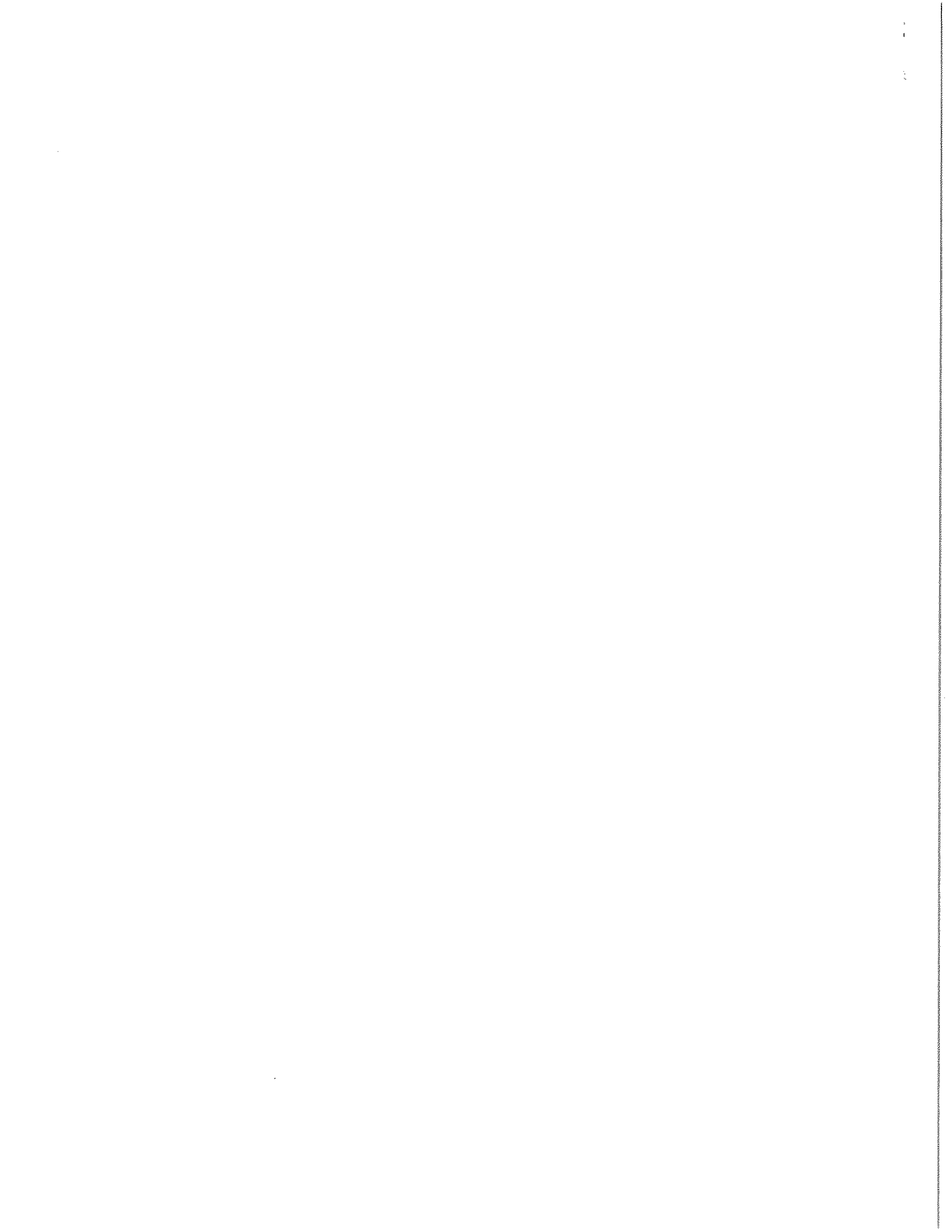
NOW, THEREFORE BE IT RESOLVED, that the governing body of the \_\_\_\_\_ hereby certifies to the Local Finance Board of the State of New Jersey that each governing body member has personally reviewed the annual audit report for the fiscal year ended \_\_\_\_\_, and specifically has reviewed the sections of the audit report entitled "General Comments" and "Recommendations," and has evidenced same by group affidavit in the form prescribed by the Local Finance Board.

BE IT FURTHER RESOLVED that the secretary of the District is hereby directed to promptly submit to the Local Finance Board the aforesaid group affidavit, accompanied by the certified true copy of this resolution.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON \_\_\_\_\_.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date





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

**Financial Statements and Supplementary Schedules**

**For the year ended December 31, 2018**

**(With Independent Auditor's Report thereon)**

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

**Table of Contents**

**For the year ended December 31, 2018**

	<u>Page</u>
Independent Auditor's Report	1-3
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 <i>Government Auditing Standards</i>	4-5
Management's Discussion and Analysis	6-13
District Wide Statement of Net Position	14
District Wide Statement of Activities	15
Governmental Funds Balance Sheet	16
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	17-18
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	19
Fiduciary Funds Statement of Net Position	20
Fiduciary Funds Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22-47
<b>Required Supplementary Information, Part I:</b>	
Budgetary Comparison Schedule	48-49
Notes to the required supplementary information Budget-to-GAAP Reconciliation	50
<b>Required Supplementary Information, Part II:</b>	
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS	51
Schedule of District Contributions – PERS	52
Notes to the Required Supplementary Information	53
<b>Other Supplemental Information:</b>	
Long-Term Debt Schedule of Serial Bonds	54
General Comments and Recommendations	55-56



HOLMAN | FRENIA  
ALLISON, P.C.

*Certified Public Accountants & Consultants*

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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, 2018, 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, 2018, 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 August 23, 2019 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.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 23, 2019  
Toms River, New Jersey



HOLMAN | FRENIA  
ALLISON, P.C.

Certified Public Accountants & Consultants

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**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, 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, 2018, 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 August 23, 2019.

**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.*

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 23, 2019  
Toms River, New Jersey

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Management Discussion and Analysis**  
**For the year end December 31, 2018**

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, 2018. 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 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 at December 31, 2018 by approximately \$4.14 million. In 2017 the excess was approximately \$4.12 million. This is an increase of approximately \$19,400.
- During 2018 Fire District No. 1 of the Township of East Brunswick operated at a surplus of approximately \$19,400. The surplus in 2017 was approximately \$152,600. This is a decrease of approximately \$133,200.
- The District decreased their liabilities by approximately \$359,700 in 2018, and decreased their assets by approximately \$340,300.

**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 2018, the District's assets exceeded its liabilities by approximately \$4.14 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, 2018 the District had General Obligation bond long term debt of approximately \$4.74 million and a bond for a fire truck of \$355,000.

### Statement of Net Position

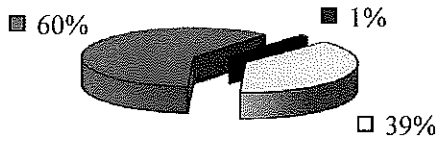
Fire District No. 1 of the Township of East Brunswick  
Net Position  
For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u>	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 3,835,929	\$ 3,761,075	74,854	2.0%
Capital assets	<u>7,583,963</u>	<u>7,999,113</u>	(415,150)	(5.2%)
Total assets	11,419,892	11,760,188	(340,296)	(2.9%)
Total liabilities	<u>(7,276,573)</u>	<u>(7,636,254)</u>	(359,681)	(4.7%)
Net position	<u>\$ 4,143,319</u>	<u>\$ 4,123,934</u>	19,385	.5%

### Analysis of net position

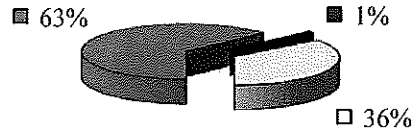
Invested in capital assets, net of related debt	\$ 2,493,963	\$ 2,603,113	(109,150)	(4.2%)
Restricted for:				
Capital projects	53,100	50,821	2,279	4.5%
Unrestricted	<u>1,596,256</u>	<u>1,470,000</u>	126,256	8.6%
Total net position	<u>\$ 4,143,319</u>	<u>\$ 4,123,934</u>	19,385	.5%

**2018 Net Position**



- Invested in Net Assets
- Restrict for Capital
- Unrestricted

**2017 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 \$19,400 during the 2018 period. This increase was due primarily to changes in net position at December 31, 2018 were an excess of revenues over expenses of approximately \$19,400. In 2018, the capital assets decreased by approximately \$415,200 after depreciation expense.

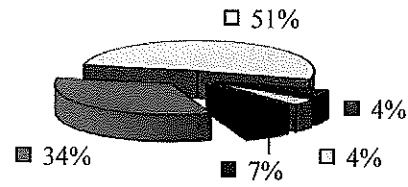
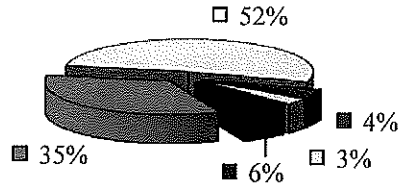
**Governmental Activities**

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:

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 760,621	\$ 698,481	62,140	8.9%
Cost of operations and maintenance	1,149,886	1,067,819	82,067	7.7%
Operating appropriations offset with revenues	94,666	90,348	4,318	4.8%
Length of service awards contribution	69,109	73,487	(4,378)	(6.0%)
Interest expense	<u>137,569</u>	<u>142,182</u>	(4,613)	(3.2%)
Total program expenses	<u>2,211,851</u>	<u>2,072,317</u>	139,534	6.7%

**2018 Program Expenses**

**2019 Program Expenses**

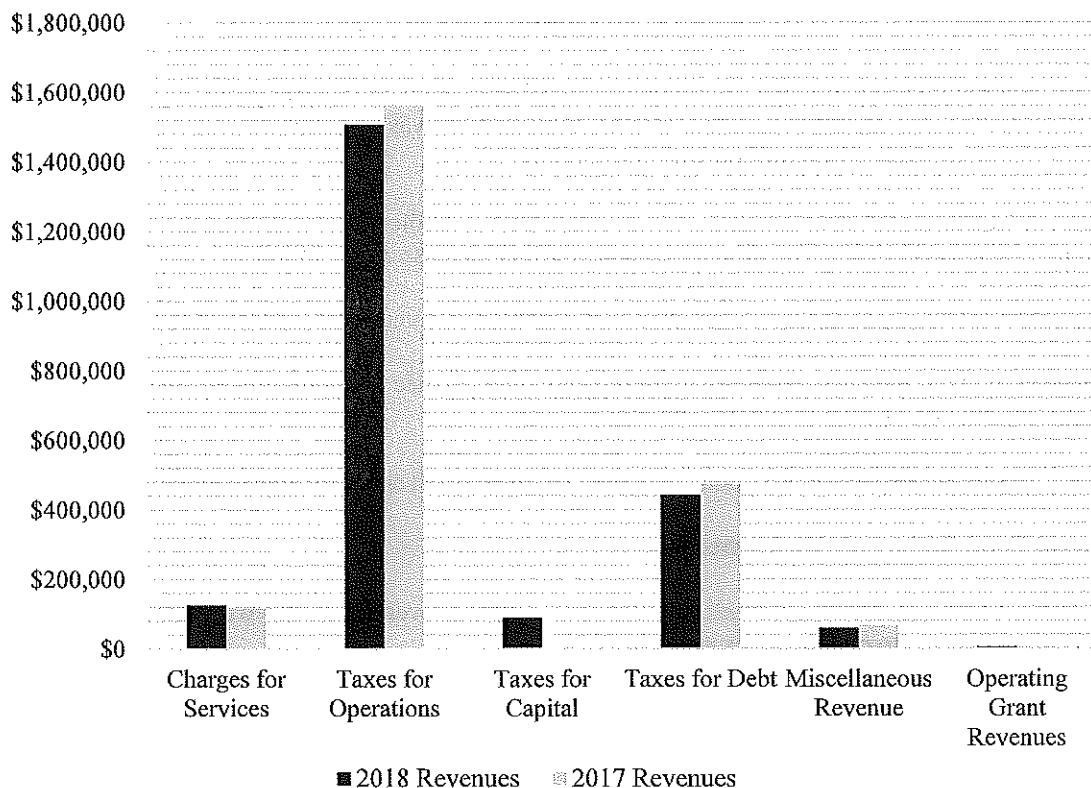


- Administrative
- Operations
- Operating Appropriations Offset with Revenues
- Length of Service Awards Program Contribution
- Interest

- Administrative
- Operations
- Operating Appropriations Offset with Revenues
- Length of Service Awards Program Contribution
- Interest

	<u>2018</u>	<u>2017</u>	\$ Increase (Decrease)	% Increase (Decrease)
Revenues:				
Program revenues:				
Charges for services	<u>126,220</u>	<u>116,187</u>	10,033	8.6%
Total program revenues	<u>126,220</u>	<u>116,187</u>	10,033	8.6%
Net program expenses	<u>2,085,631</u>	<u>1,956,130</u>	129,501	6.6%
General revenues				
Property taxes levied for:				
General Purposes	1,507,390	1,563,667	(56,277)	(3.6%)
Capital	90,000	-	90,000	100.0%
Debt service	<u>442,545</u>	<u>472,625</u>	(30,080)	(6.4%)
Total property taxes levied	<u>2,039,935</u>	<u>2,036,292</u>	3,643	0.2%
Operating grants and contributions	5,352	5,352	-	0.0%
Miscellaneous revenue	<u>59,729</u>	<u>67,110</u>	(7,381)	(11.0%)
Total general revenues	<u>2,105,016</u>	<u>2,109,054</u>	(4,038)	(.2%)
Increase (decrease) in net position	19,385	152,624	(133,239)	(6.87%)
Net position, January 1	<u>4,123,934</u>	<u>3,971,310</u>	152,624	3.8%
Net position, December 31	<u>\$ 4,143,319</u>	<u>\$ 4,123,934</u>	19,385	.5%

## Revenues



Property tax revenue constituted 91% of the total governmental activities revenues received by Fire District No. 1 of the Township of East Brunswick in 2018. In 2017 the property tax revenue constituted 92% of total revenues.

The Cost of Operations & Maintenance was 52% and 52% of the District’s total expenses in 2018 and 2017 respectively. Administration expenses equaled 34% and 34% of the total expenses in 2018 and 2017 respectively. Length of service award program expenses equaled 3% and 4% of the total expenses in 2018 and 2017, 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, 2018, the combined balance of the governmental funds of East Brunswick Township Fire District No. 1 is approximately \$3.42 million. This balance is approximately \$57,400 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 \$3.42 million. Unreserved fund balance amounted to approximately \$1.68 million of that total. \$480,000 of funds have been designated for use in the 2019 Budget. Funds in the amount of \$5,374 have been designated for additional 2018 purchase orders (encumbrances).

The general fund is the main operating fund of Fire District No. 1 of the Township of East Brunswick. At the end of 2018, the total fund balance of the general fund was approximately \$3.37 million. Of this balance, approximately \$1.68 million was unreserved.

During 2018 the general fund balance of Fire District No. 1 of the Township of East Brunswick increased by approximately \$55,100. The primary reasons for this increase are as follows:

- The Board expended less funds than they received in revenues by approximately \$55,100.

At the end of 2018, the District had a capital projects fund balance of approximately \$53,100. This balance decreased from 2017 by approximately \$2,300.

- The Board expended less funds than they received in revenues by approximately \$2,300.

### General Fund Budgetary Highlights

The District had total actual revenues in excess of budgeted revenues of approximately \$83,000 in 2018. The District expects to operate at a surplus in 2019.

Overall, the District spent approximately \$115,400 less than originally anticipated in administration and \$183,200 less than originally anticipated in operations and maintenance than originally budgeted for in 2018.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of December 31, 2018 Fire District No. 1 of the Township of East Brunswick had invested in capital assets for government activities of \$7,583,963 (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, 2018

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>
Capital assets:			
Buildings	\$ 6,211,773	\$ 6,172,273	39,500
Vehicles, machinery and equipment	<u>4,210,457</u>	<u>4,548,638</u>	(338,181)
Total capital assets	10,422,230	10,730,911	(298,681)
Accumulated depreciation	<u>(2,838,267)</u>	<u>(2,721,798)</u>	116,469
Total capital assets, net	<u>\$ 7,583,963</u>	<u>\$ 7,999,113</u>	(415,150)

Additional information on Fire District No. 1 of the Township of East Brunswick's capital assets can be found in Note 6 in the notes to the financial statements.

### **Long-Term Obligations**

The District has General Obligation bonds totaling approximately \$4.74 million of long term debt at December 31, 2018. Fire District No. 1 of the Township of East Brunswick has a bond for a fire truck totaling \$355,000 at December 31, 2018.

### **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2018, 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 2018 the fire tax levy amounted to 91% of total revenue collected.

Fire District No. 1 of the Township of East Brunswick adopted their 2019 budget on January 8, 2019. The voters subsequently voted to approve the budget at the February election. The 2019 adopted budget reflected an increase in the tax levy of \$17,902. 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 \$723 in 2019 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 Turnpike, East Brunswick , New Jersey, 08816.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Statement of Net Position**  
**December 31, 2018**

	<b>Governmental Activities</b>
	<b>Total</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents (Note 3)	\$ 2,398,958
Accounts receivable (Note 5)	44,386
Other receivables	4,524
Prepaid insurance	112,261
Total current assets	2,560,129
<b>Noncurrent assets:</b>	
Investment in length of service awards program (Note 4)	1,135,388
Total noncurrent assets	1,135,388
<b>Capital assets, net</b>	
Depreciable (Note 6)	7,583,963
Total capital assets	7,583,963
Total assets	11,279,480
<b>Deferred outflows of resources:</b>	
Deferred outflows related to pensions (Note 8)	140,412
Total deferred outflows of resources	140,412
Total assets and deferred outflows of resources	\$ 11,419,892
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 159,651
Accrued interest payable	44,825
Pension payable	27,076
Bonds payable (Note 7)	321,000
Total current liabilities	552,552
<b>Non-current liabilities:</b>	
Investment in length of service awards program payable (Note 7)	1,204,497
Bonds payable (Note 7)	4,769,000
Compensated absences (Note 7)	10,171
Net pension liability (Note 8)	510,648
Total non-current liabilities	6,494,316
Total liabilities	7,046,868
<b>Deferred inflows of resources:</b>	
Deferred inflows related to pensions (Note 8)	229,705
Total deferred inflows of resources	229,705
Total liabilities and deferred inflows of resources	7,276,573
<b>Net position:</b>	
Net investments in capital assets	2,493,963
<b>Restricted:</b>	
Capital	53,100
Unrestricted net position	1,596,256
Total net position	4,143,319
Total liabilities, deferred inflows of resources and net position	\$ 11,419,892



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Statement of Activities**  
**For the year ended December 31, 2018**

	Expenses	Charges for Services	Governmental Activities Total
Government activities:			
Operation appropriations:			
Administration	\$ 760,621	\$ -	\$ (760,621)
Costs of operations and maintenance	1,149,886	126,220	(1,023,666)
Operating appropriations offset with revenues	94,666	-	(94,666)
Length of service award contribution	69,109	-	(69,109)
Interest expense	137,569	-	(137,569)
Total government activities	2,211,851	126,220	(2,085,631)
 General revenues:			
Miscellaneous revenue			59,729
Operating grant revenues			5,352
Amount raised by taxation			2,039,935
Total general revenues			2,105,016
Excess of expenditures over revenues			19,385
Net position, January 1			4,123,934
Net position, December 31			\$ 4,143,319

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Governmental Funds**  
**Balance Sheet**  
**For the year ended December 31, 2018**

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,379,771	\$ 1,019,187	\$ -	\$ 2,398,958
Accounts receivable	44,386	-	-	44,386
Other receivables	978,585	-	-	978,585
Total current assets	<u>2,402,742</u>	<u>1,019,187</u>	<u>-</u>	<u>3,421,929</u>
<b>Noncurrent assets:</b>				
Investment in length of service award program	1,135,388	-	-	1,135,388
Total noncurrent assets	<u>1,135,388</u>	<u>-</u>	<u>-</u>	<u>1,135,388</u>
Total assets	<u>\$ 3,538,130</u>	<u>\$ 1,019,187</u>	<u>\$ -</u>	<u>\$ 4,557,317</u>
<b>Liabilities, equity and other credits:</b>				
Accounts payable	\$ 159,651	\$ -	\$ -	\$ 159,651
Pension payable	1,279	-	-	1,279
Other payables	7,974	966,087	-	974,061
Total liabilities	<u>168,904</u>	<u>966,087</u>	<u>-</u>	<u>1,134,991</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Capital	-	53,100	-	53,100
Length of service award program	1,204,497	-	-	1,204,497
<b>Assigned for:</b>				
For subsequent year's expenditures	480,000	-	-	480,000
Other purposes	5,374	-	-	5,374
<b>Unassigned, reported in:</b>				
General fund	1,679,355	-	-	1,679,355
Total fund balance	<u>3,369,226</u>	<u>53,100</u>	<u>-</u>	<u>3,422,326</u>
Total liabilities and fund balance	<u>\$ 3,538,130</u>	<u>\$ 1,019,187</u>	<u>\$ -</u>	

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

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.	112,261
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future to future reporting periods and, therefore, are not reported in the funds.	(89,293)
Accrued PERS pension payable are not recorded in the fund financial statements due to the fact that payavbles are not due in the period	(25,797)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$10,422,230 and the accumulated depreciation is \$2,838,267.	7,583,963
Accrued interest not recorded in current financial statements	(44,825)
Long-term liabilities, including net pension liability, bonds payable, length of service award program and net other postemployment benefits are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(6,815,316)</u>
Net position of governmental activities	<u>\$ 4,143,319</u>

**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, 2018**

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
<b>Revenues:</b>				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 3,053	\$ -	\$ -	\$ 3,053
Investment income - length of service award program	4,906	-	-	4,906
Municipal assistance	9,000	-	-	9,000
Miscellaneous	47,676	-	-	47,676
Total miscellaneous revenues	64,635	-	-	64,635
Operating grant revenues:				
Supplemental fire service act	5,352	-	-	5,352
Total operating grant revenue	5,352	-	-	5,352
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	36,679	-	-	36,679
Other revenues	89,541	-	-	89,541
Total miscellaneous revenues offset with appropriations	126,220	-	-	126,220
Amount raised by taxation to support district budget	1,507,390	90,000	442,545	2,039,935
Total anticipated revenues	1,703,597	90,000	442,545	2,236,142
<b>Expenditures:</b>				
Operating appropriations:				
Administration:				
Salaries and wages	150,985	-	-	150,985
Fringe benefits	190,697	-	-	190,697
Other expenditures:				
Elections	2,144	-	-	2,144
Insurance	83,405	-	-	83,405
Membership/Dues	2,104	-	-	2,104
Office expenses	45,568	-	-	45,568
Professional services	88,645	-	-	88,645
Rental of office space	12,000	-	-	12,000
Utilities/phone/pagers	92,182	-	-	92,182
Advertising and publications	3,265	-	-	3,265
Building and office repairs	89,626	-	-	89,626
Total administration	760,621	-	-	760,621
Cost of operations and maintenance:				
Other expenditures:				
Old Bridge Vol. Fire Co	315,828	-	-	315,828
Maintenance and repair	133,574	-	-	133,574
Operating materials and supplies	19,939	-	-	19,939
Training and education	16,092	-	-	16,092
Traffic light maintenance	4,069	-	-	4,069
Uniforms and personal equipment	60,812	-	-	60,812
Contingent expenses	36,817	-	-	36,817
Communication equipment	29,602	-	-	29,602
Firefighting equipment	20,923	-	-	20,923
Safety officer equipment	3,033	-	-	3,033
Extraordinary firemens expense	2,960	-	-	2,960
Total cost of operations and maintenance	643,649	-	-	643,649

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, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Operating appropriations offset with revenues:				
Salaries and wages	94,666	-	-	94,666
Total operating appropriations offset with revenues	94,666	-	-	94,666
Total operating appropriations	1,498,936	-	-	1,498,936
Length of service award program:				
Depreciation in fair value of investments	73,489	-	-	73,489
Participant withdrawals	76,038	-	-	76,038
Total length of service award program	149,527	-	-	149,527
Capital appropriations	-	87,721	-	87,721
Total capital appropriations	-	87,721	-	87,721
Debt service for capital appropriations:				
Bonds	-	-	306,000	306,000
Interest on bonds	-	-	136,545	136,545
Total debt service for capital appropriations	-	-	442,545	442,545
Total governmental expenditures	1,648,463	87,721	442,545	2,178,729
Excess of revenues over expenditures	55,134	2,279	-	57,413
Fund balance, January 1	3,314,092	50,821	-	3,364,913
Fund balance, December 31	\$ 3,369,226	\$ 53,100	\$ -	\$ 3,422,326

**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, 2018**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	57,413
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlays - Capital Projects Fund	80,056	
Disposal of Capital Asset	(128,771)	
Depreciation Expense	<u>(366,435)</u>	(415,150)
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension Expense	<u>(746)</u>	(746)
Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.		
Prior Year	43,801	
Current Year	<u>(44,825)</u>	(1,024)
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.		
Prior year	(120,346)	
Current year	<u>112,261</u>	(8,085)
Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.		
District contribution to length of service award program	(69,109)	
Appreciation in fair value of investments	(4,906)	
Depreciation in fair value of investments	73,489	
Participant withdrawals	<u>76,038</u>	75,512
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
		306,000
In the 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, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the decrease in sick leave paid was \$5,465.		
		<u>5,465</u>
Changes in net position of governmental activities	\$	<u><u>19,385</u></u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2018**

	<u>Payroll Trust</u>	<u>Unemploment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
Assets:				
Cash and cash equivalents	\$ 16,341	\$ -	\$ 29,775	\$ 46,116
Interfund receivable	-	6,981	993	7,974
Total assets	<u>16,341</u>	<u>6,981</u>	<u>30,768</u>	<u>54,090</u>
Liabilities:				
Interfund payable	12,498	-	-	12,498
Payroll deductions payable	3,843	-	-	3,843
Total liabilities	<u>16,341</u>	<u>-</u>	<u>-</u>	<u>16,341</u>
Net position:				
Held in trust for:				
Unemployment claims	-	6,981	-	6,981
Dedicated penalties	-	-	30,768	30,768
Total net position	<u>\$ -</u>	<u>\$ 6,981</u>	<u>\$ 30,768</u>	<u>\$ 37,749</u>

The accompanying notes are an intergral part of these 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, 2018**

	<u>Unemployment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
Additions			
Contributions:			
Penalties	\$ -	\$ 2,850	\$ 2,850
Total contributions	-	2,850	2,850
Total additions	-	2,850	2,850
Change in net position	-	2,850	2,850
Net position, January 1	6,981	27,918	34,899
Net position, December 31	<u>\$ 6,981</u>	<u>\$ 30,768</u>	<u>\$ 37,749</u>

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 1 of the Township of East Brunswick 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 *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, 2018:

<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 Fire District No. 1 of the Township of East Brunswick are maintained in the office of the District.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE: 1: GENERAL INFORMATION (continued)**

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

GASB Statement No.14. The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units. The District had no component units as of for the year ended December 31, 2018.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and 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, 2018**

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

*Capital Projects Fund*

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

*Debt Service Fund*

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

**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 Fire District on behalf of outside parties, including other governments, or on behalf of other funds within the Fire District.

**C. District Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. District Wide and Fund Financial Statements (continued)**

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

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

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

The district-wide financial statements (A-1 and A-2) include the statement of net position and the 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 statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

*Fund Financial Statements*

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

**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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

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

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

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

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

**F. Encumbrances**

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrances at December 31, 2018 totaled \$5,374 in the general fund.

**G. Cash, Cash Equivalents and Investments**

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

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

**I. Debt Limitation**

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

**J. Capital Assets**

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$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, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Interfund Receivable/Payable**

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

**M. Compensated Absences**

Fire 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.

**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 Fire District is located, the assessor shall assess the amount of taxes to be realized in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, and 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 statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Pensions Section**

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

**R. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of East Brunswick 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 Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

**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, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**T. Use of Estimates**

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

**U. Impact of Recently Issued Accounting Principles**

*Adopted Accounting Pronouncements*

The following GASB Statements became effective for the fiscal year ended December 31, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement does not have a material impact on the District's financial statements.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement does not have a material 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. 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. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the potential impact on the District's financial statements.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**U. Impact of Recently Issued Accounting Principles (continued)**

*Recently Issued Accounting Pronouncements (continued)*

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the District's financial statements.

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

**V. Unrealized Gains and Losses**

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2018, unrealized gains and losses for the Fire 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.

**W. Fair Value Measurement**

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**W. Fair Value Measurement (continued)**

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:

*Registered Investment Companies:* Valued at the net asset value (NAV) of shares held by the plan at year end where the NAV is valued at \$1 per unit.

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

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

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2018.

**X. Subsequent Events**

The District has evaluated subsequent events through August 23, 2019, the date the financial statements were available to be issued.

**NOTE 3: CASH**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2018, and reported at fair value are as follows:

<u>Type</u>	<u>Value</u>
<b>Deposits:</b>	
Demand deposits	\$ 2,445,074
Total deposits	<u>\$ 2,445,074</u>
 <b>Reconciliation to Governmental and Fiduciary Fund Statements:</b>	
Governmental Funds	\$ 2,398,958
Fiduciary Funds	46,116
Total	<u>\$ 2,445,074</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 3: CASH (continued)**

**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, 2018, the District's bank balance of \$2,465,476 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>2,215,476</u>
Total	<u>\$ 2,465,476</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

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

**C. Investment Credit Risk**

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 4: INVESTMENTS (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 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.

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2018.

	<b>Assets at Fair Value as of December 31, 2018</b>			
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<i>Total</i>
Length of Service Awards Program:				
Registered investment companies	\$ 1,008,155	\$ -	\$ -	\$ 1,008,155
Fixed account investment contract	<u>-</u>	<u>-</u>	<u>127,233</u>	<u>127,233</u>
Total LOSAP at fair value	<u>\$ 1,008,155</u>	<u>\$ -</u>	<u>\$ 127,233</u>	<u>\$ 1,135,388</u>

**Level III Gains and Losses**

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2018.

	<b><u>Level III Assets</u></b>
	<b>Year Ended</b>
	<b><u>December 31, 2018</u></b>
Balance, beginning of year	\$ 128,712
Purchases, sales, issuances and settlements (net)	5,811
Gains & (Losses)	<u>(7,290)</u>
Balance, end of year	<u>\$ 127,233</u>

**NOTE 5: ACCOUNTS RECEIVABLE**

As of December 31, 2018, accounts receivables consisted of the following:

UFSA receivable	\$ 11,886
Borough of Milltown Receivable	<u>32,500</u>
Total	<u>\$ 44,386</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 6: CAPITAL ASSETS**

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

Fixed assets consisted of the following at December 31, 2018:

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/18</u>
Governmental Activities:				
Capital assets:				
Buildings	\$ 6,172,273	\$ 39,500	\$ -	\$ 6,211,773
Vehicles, machinery and equipment	<u>4,548,638</u>	<u>40,556</u>	<u>(378,737)</u>	<u>4,210,457</u>
Total capital assets at historical costs	<u>10,720,911</u>	<u>80,056</u>	<u>(378,737)</u>	<u>10,422,230</u>
Accumulated depreciation:				
Buildings	(603,983)	(155,097)	-	(759,080)
Vehicles, machinery and equipment	<u>(2,117,815)</u>	<u>(211,338)</u>	<u>249,966</u>	<u>(2,079,187)</u>
Total accumulated depreciation	<u>(2,721,798)</u>	<u>(366,435)</u>	<u>249,966</u>	<u>(2,838,267)</u>
Total capital asset net of accumulated depreciation	<u>\$ 7,999,113</u>	<u>\$ (286,379)</u>	<u>\$ (128,771)</u>	<u>\$ 7,583,963</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

During the fiscal year ended December 31, 2018 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>12/31/17</u>	<u>Accrued/</u> <u>increases</u>	<u>(Retired)/</u> <u>(decreases)</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due within</u> <u>One Year</u>
Bonds payable	\$ 5,396,000	\$ -	\$ (306,000)	\$ 5,090,000	\$ 321,000
Length of service awards program payable	1,280,009	73,487	(148,999)	1,204,497	69,109
Compensated absences	15,636	-	(5,465)	10,171	-
Net pension liability	<u>671,043</u>	<u>-</u>	<u>(160,395)</u>	<u>510,648</u>	<u>-</u>
Total	<u>\$ 7,362,688</u>	<u>\$ 73,487</u>	<u>\$ (620,859)</u>	<u>\$ 6,815,316</u>	<u>\$ 390,109</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: LONG-TERM OBLIGATIONS (continued)**

**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 15<sup>th</sup> and interest is payable on March 15<sup>th</sup> and September 15<sup>th</sup> commencing in September of 2014.

The following is a schedule of future minimum bond payments at December 31, 2018:

<b>For the year ended December 31,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2019	\$ 250,000	\$ 126,200	\$ 376,200
2020	250,000	121,200	371,000
2021	275,000	115,950	390,590
2022	275,000	110,450	385,450
2023	285,000	104,850	389,850
2024-2028	1,620,000	391,650	2,011,650
2029-2033	<u>1,780,000</u>	<u>132,630</u>	<u>1,912,630</u>
Total	<u>\$ 4,735,000</u>	<u>\$ 1,102,930</u>	<u>\$ 5,837,930</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, 2018:

<b>For the year ended December 31,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2019	\$ 71,000	\$ 7,607	\$ 76,495
2020	71,000	-	78,607
2021	71,000	-	71,000
2022	71,000	-	71,000
2023	<u>71,000</u>	<u>-</u>	<u>71,000</u>
Total	<u>\$ 355,000</u>	<u>\$ 7,607</u>	<u>\$ 362,607</u>

**NOTE 8: PENSION OBLIGATIONS**

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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
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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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, 2018, the District's contractually required contribution to PERS plan was \$25,797.

**Components of Net Pension Liability** – At December 31, 2018, the District's proportionate share of the PERS net pension liability was \$510,648. The net pension liability was measured as of June 30, 2018. 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, 2017, which was rolled forward to June 30, 2018. 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, 2018, was 0.0025935100% which was a decrease of 0.0002891752% from its proportion measured as of June 30, 2017.

**Balances at December 31, 2018 and December 31, 2017**

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 140,412	\$ 216,111
Deferred Inflows of Resources	229,705	143,355
Net Pension Liability	510,648	671,043
District's portion of the Plan's total Net Pension Liability	0.00259%	0.00288%



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2018, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$27,451. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 9,378	\$ 2,633
Changes of Assumptions	84,146	163,278
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	4,790
Changes in Proportion and Differences between District's Contributions and Proportion Share of Contributions	<u>46,528</u>	<u>59,004</u>
	<u>\$ 140,412</u>	<u>\$ 229,702</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
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	-
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
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	-
Changes in Proportion and Differences between 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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ (9,994)
2020	(11,062)
2021	(22,536)
2022	(29,349)
2023	<u>(16,532)</u>
Total	<u>\$ (89,293)</u>

**Actuarial Assumptions** – The total pension liability for the June 30, 2018 measurement date was determined by using an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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, 2018) 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, 2018 are summarized in the following table:

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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

**Discount Rate** – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

**Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	<b>1 % Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
District's Proportionate Share of the Net Pension Liability	<u>\$ 642,083</u>	<u>\$ 510,648</u>	<u>\$ 400,385</u>

**NOTE 9: VESTED EMPLOYEE BENEFITS**

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2018, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<b><u>2018</u></b>
Total Compensated Absences	<u>\$ 10,171</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 Plan agreement for a more complete description of the Plan's provisions.

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

The District elected to contribute up to \$1,709 for the year ended December 31, 2018, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2018, the District contributed a total of \$69,109 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

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

Variable Annuity Life Insurance Company (VALIC) (“Plan Administrator”), an approved Length of Service Awards Program provider, is the administrator of the Plan. The District’s practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

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

**Payment of Benefits** – Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2018, payouts of \$76,038 were made to vested participants.

**Forfeited Accounts** – There were no forfeitures during the year ended December 31, 2018.

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 12: INTERFUND RECEIVABLE/PAYABLE**

The purpose of the interfunds is for short-term borrowing. As of December 31, 2018, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 978,585	\$ 7,974
Capital projects	-	966,087
Unemployment	6,981	-
Dedicated penalties	993	-
Payroll trust	-	12,498
Totals	<u>\$ 986,559</u>	<u>\$ 986,559</u>

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. 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 business-type activities, which are presented as Internal Balances in the Statement of Net Position.

**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 Fire District, as provided for by the state statute. For the year ended December 31, 2018, the fire tax rate on the Fire District No. 1 was approximately \$.288 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of \$5,352.

**NOTE 14: RISK MANAGEMENT**

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

**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:



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 14: RISK MANAGEMENT (continued)**

**B. New Jersey Unemployment Compensation Insurance (continued)**

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

**NOTE 15: FUND BALANCE**

**General Fund** – Of the \$3,369,226 General Fund fund balance at December 31, 2018, \$1,204,497 has been restricted for length of service award program; \$480,000 has been assigned for subsequent year’s expenditures, \$5,374 has been assigned for other purposes and \$1,679,355 is unassigned.

**Capital Projects Fund** – Of the \$53,100 Capital Projects Fund fund balance at December 31, 2018, \$53,100 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: 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. As a result of this contract, the District will incur fire protection and rent expense in the amount of \$328,000 for the year ended December 31, 2019.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2018**

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
<b>Revenues:</b>				
<b>Miscellaneous anticipated revenue:</b>				
Interest on investments	\$ 3,000	\$ 3,000	3,053	\$ 53
Municipal assistance	9,000	9,000	9,000	-
Miscellaneous	-	-	47,676	47,676
<b>Total miscellaneous revenues</b>	<b>12,000</b>	<b>12,000</b>	<b>59,729</b>	<b>47,729</b>
<b>Operating grant revenues:</b>				
Supplemental fire service act	6,356	6,356	5,352	(1,004)
<b>Total operating grant revenue</b>	<b>6,356</b>	<b>6,356</b>	<b>5,352</b>	<b>(1,004)</b>
<b>Miscellaneous revenues offset with appropriations:</b>				
<b>Uniform fire safety act revenues:</b>				
Annual registration fee	25,000	25,000	36,679	11,679
Other revenues	65,000	65,000	89,541	24,541
<b>Total miscellaneous revenues offset with appropriations</b>	<b>90,000</b>	<b>90,000</b>	<b>126,220</b>	<b>36,220</b>
<b>Total revenues</b>	<b>108,356</b>	<b>108,356</b>	<b>191,301</b>	<b>82,945</b>
<b>Amount raised by taxation to support district budget</b>	<b>2,039,935</b>	<b>2,039,935</b>	<b>2,039,935</b>	<b>-</b>
<b>Total anticipated revenues</b>	<b>2,148,291</b>	<b>2,148,291</b>	<b>2,231,236</b>	<b>82,945</b>
<b>Expenditures:</b>				
<b>Operating appropriations:</b>				
<b>Administration:</b>				
Salaries and wages	181,524	181,524	150,985	30,539
Fringe benefits	226,355	220,415	190,697	29,718
<b>Other expenditures:</b>				
Elections	3,000	3,000	2,144	856
Insurance	82,667	83,407	83,405	2
Membership/Dues	5,000	5,540	2,104	3,436
Office expenses	67,000	76,670	45,568	31,102
Professional services	89,800	110,027	88,645	21,382
Travel expenses	2,000	-	-	-
Rental of office space	12,000	12,000	12,000	-
Utilities/phone/pagers	141,000	114,917	92,182	22,735
Advertising and publications	3,500	3,500	3,265	235
Building and office repairs	60,000	65,000	89,626	(24,626)
<b>Total administration</b>	<b>873,846</b>	<b>876,000</b>	<b>760,621</b>	<b>115,379</b>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK  
Budgetary Comparison Schedule  
For the year ended December 31, 2018

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Cost of operations and maintenance:				
Other expenditures:				
Old Bridge Vol. Fire Co	316,000	316,000	315,828	172
Maintenance and repair	151,000	157,187	133,574	23,613
Operating materials and supplies	82,100	82,100	19,939	62,161
Training and education	12,600	17,800	16,092	1,708
Traffic light maintenance	5,000	5,000	4,069	931
Uniforms and personal equipment	74,700	74,700	60,812	13,888
Contingent expenses	40,000	40,000	36,817	3,183
Communication equipment	60,000	60,000	29,602	30,398
Firefighting equipment	70,500	66,080	20,923	45,157
Safety officer equipment	8,000	8,000	3,033	4,967
Extraordinary firemens expense	-	-	2,960	(2,960)
Total cost of operations and maintenance	<u>819,900</u>	<u>826,867</u>	<u>643,649</u>	<u>183,218</u>
Operating appropriations offset with revenues:				
Salaries and wages	90,000	90,000	94,666	(4,666)
Total operating appropriations offset with revenues	<u>90,000</u>	<u>90,000</u>	<u>94,666</u>	<u>(4,666)</u>
Length of service award program	75,000	75,000	69,109	5,891
Capital appropriations	90,000	90,000	87,721	2,279
Debt service for capital appropriations:				
Bonds	306,000	306,000	306,000	-
Interest on bonds	136,545	136,545	136,545	-
Total debt service for capital appropriations	<u>442,545</u>	<u>442,545</u>	<u>442,545</u>	<u>-</u>
Total expenditures	<u>2,391,291</u>	<u>2,400,412</u>	<u>2,098,311</u>	<u>302,101</u>
Excess (efficiency) of revenues over (under) expenditures	(243,000)	(252,121)	132,925	385,046
Fund balance, January 1	2,084,904	2,084,904	2,084,904	-
Fund balance, December 31	<u>\$ 1,841,904</u>	<u>\$ 1,832,783</u>	<u>\$ 2,217,829</u>	<u>\$ 385,046</u>

RECAPITULATION OF FUND BALANCE

Restricted fund balance:	
Capital reserve	\$ 53,100
Assigned fund balance:	
Designated for subsequent year's expenditures	480,000
Other purposes	5,374
Unassigned fund balance	<u>1,679,355</u>
Total - budgetary basis	<u>2,217,829</u>
Reconciliation to governmental fund statements (GAAP):	
Length of service award program investment balance not recognized on the budgetary basis	<u>1,204,497</u>
Total fund balance per governmental funds (GAAP)	<u>\$ 3,422,326</u>

EXHIBIT C-1A

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, 2018

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,231,236
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>4,906</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 2,236,142</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,098,311
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(69,109)
Depreciation in fair value of investments	73,489
Participant withdrawals	<u>76,038</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 2,178,729</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 Six Fiscal Years \***

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00259%	0.00288%	0.00256%	0.00258%	0.00254%	0.00263%
District's proportionate share of the net pension liability (asset)	\$ 510,648	\$ 671,043	\$ 758,943	\$ 578,738	\$ 475,571	\$ 503,063
District's covered-employee payroll	\$ 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	281.17%	367.35%	437.72%	327.89%	277.72%	300.21%
Plan fiduciary net position as a percentage of the total pension liability	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 Six Fiscal Years \*

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

**Public Employees' Retirement System (PERS)**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

The discount rate changed from 5.00% as of June 30, 2017, to 5.66% as of June 30, 2018.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK**  
**Long-Term Debt**  
**Schedule of Serial Bond Payable**  
**For the year ended December 31, 2018**

Purpose	Date of Issue	Original Issue	Annual Maturities		Interest Rate	Amount Outstanding January 1, 2018	Issued	Retired	Amount Outstanding December 31, 2018
			Date	Amount					
Construction of Firehouse	2013	\$ 5,820,000				\$ 4,970,000	\$ -	\$ 235,000	\$ 4,735,000
			3/15/19	\$ 250,000	2.00%				
			3/15/20	250,000	2.00%				
			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				425,000	-	71,000	355,000
			2019	71,000	Variable				
			2020	71,000	Variable				
			2021	71,000	Variable				
			2022	71,000	Variable				
			2023	71,000	Variable				
						<u>\$ 5,395,000</u>	<u>\$ -</u>	<u>\$ 306,000</u>	<u>\$ 5,090,000</u>





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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, 2018. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

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

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.

### **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.

### **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.

### **Capital Assets**

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

### **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 5, 2017 and adopted its operating budget on January 2, 2018.

### **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 concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

*Holman Frenia Allison, P.C.*

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 23, 2019  
Toms River, New Jersey



