

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

Financial Statements and Supplementary Information

For the year ended December 31, 2021

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
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December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of East Brunswick (hereafter referred to as the District), County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District'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 payable 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 and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 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 January 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 27, 2023
Lakewood, New Jersey



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, of each major fund, and the aggregate remaining fund information of Fire District No. 1 of the Township of East Brunswick (hereafter referred to as the District), County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated January 27, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 27, 2023
Lakewood, New Jersey

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

As management of the Fire District No. 1 of the Township of East Brunswick (hereafter referred to as the District) offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended, December 31, 2021. The intent of this narrative is to look at the District's overall financial performance in terms easily understood by the layperson. Please read this in conjunction with the District's financial statements which begin on page 13. Notes to the financial statements will provide the reader with additional useful information and they begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at December 31, 2021 by approximately \$4,972,900. During 2020 the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources was approximately \$4,569,400. This is an increase of approximately \$403,500.
- During 2021 the District operated at a surplus of approximately \$403,500. During 2020 the Fire District operated at a surplus of approximately \$279,800. This is an increase of approximately \$172,200.
- The District's liabilities and deferred inflows of resources decreased approximately \$25,300 in 2021 and their assets and deferred outflows of resources increased by approximately \$378,300.
- *For the year ended December 31, 2020* the District has adopted the provisions of GASB Statement to No. 84, *Fiduciary Activities*. The adoption of this principle resulted in a restatement of the District's opening fund balance as of January 1, 2020 in the amount of \$38,649.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The District'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 9. 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 district wide statement of net position presents information on all the assets and liabilities of the District. 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 district wide 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. The District has one basic function: activities that are supported by property taxes. The District provides firefighting services to the citizens of East Brunswick, New Jersey.

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, the District uses fund accounting to document compliance with finance-related legal matters. The District has one type of fund, which is the governmental fund.

Governmental Funds

The District'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.

The District maintains three separate governmental funds; the General Fund, Capital Projects Fund and the Debt Service Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund and Debt Service Fund.

The relationship (or differences) between governmental activities (reported in the district wide statement of net position and the district wide 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*, the District adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

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

DISTRICT WIDE FINANCIAL ANALYSIS

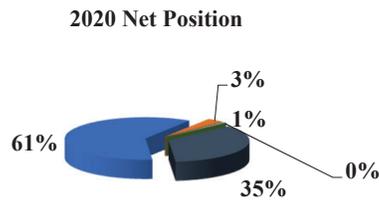
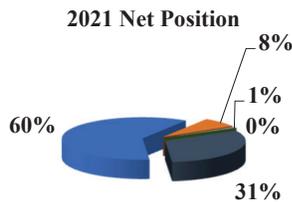
The District's net position is a useful indicator of the District's financial condition. At the end of 2021, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$4,972,900. The largest portion of The District's net position 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. The District'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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
DISTRICT WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and other assets	\$ 4,752,465	\$ 4,267,547	\$ 484,918	11.36%
Capital assets	<u>7,106,735</u>	<u>7,213,401</u>	<u>(106,666)</u>	(1.48%)
Total assets and deferred outflows of resources	11,859,200	11,480,948	378,252	3.29%
Total liabilities and deferred inflows of resources	<u>(6,886,256)</u>	<u>(6,911,516)</u>	<u>(25,260)</u>	(0.37%)
Net position	<u>\$ 4,972,944</u>	<u>\$ 4,569,432</u>	<u>\$ 403,512</u>	8.83%

Analysis of net position

Invested in capital assets, net of related debt	\$ 3,004,735	\$ 2,765,401	\$ 239,334	8.65%
Restricted for:				
Capital projects	369,107	150,188	218,919	145.76%
Dedicated penalties	34,018	33,568	450	1.34%
Unemployment claims	6,981	6,981	-	
Unrestricted	<u>1,558,103</u>	<u>1,613,294</u>	<u>(55,191)</u>	(3.42%)
Total net position	<u>\$ 4,972,944</u>	<u>\$ 4,569,432</u>	<u>\$ 403,512</u>	8.83%



- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Restricted for Dedicated Penalties
- Restricted for Unemployment Claims

- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Restricted for Dedicated Penalties
- Restricted for Unemployment Claims

The net position of the District increased approximately \$403,500 as a result of the current year surplus. In 2021 the capital assets decreased by approximately \$106,700 after depreciation expense.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

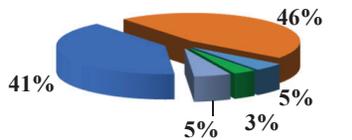
Governmental Activities

The district wide 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:

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
DISTRICT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021 AND 2020**

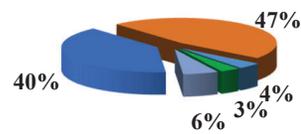
	<u>2021</u>	<u>2020</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 839,474	\$ 823,256	\$ 16,218	1.97%
Cost of operations and maintenace	947,844	972,850	(25,006)	(2.57%)
Operating appropriations offset with revenues	94,328	82,848	11,480	13.86%
Length of service awards program contribution	70,774	67,906	2,868	4.22%
Interest expense	114,482	123,463	(8,981)	(7.27%)
Total program expenses	<u>2,066,902</u>	<u>2,070,323</u>	<u>(3,421)</u>	<u>(0.17%)</u>

2021 Program Expenses



- Administrative
- Cost of Operations
- Expenses offset with Revenues
- Length of Service Awards Program
- Interest Expense

2020 Program Expenses



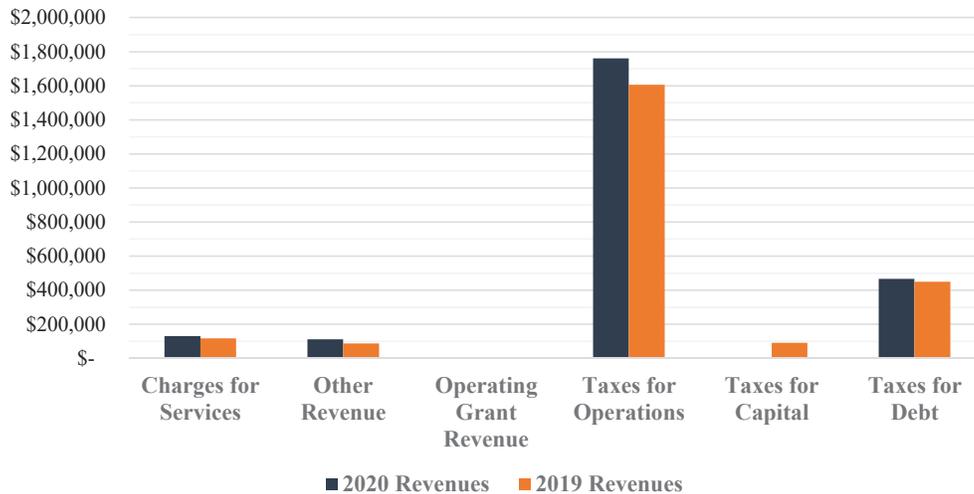
- Administrative
- Cost of Operations
- Expenses offset with Revenues
- Length of Service Awards Program
- Interest Expense

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)
YEAR ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Program revenues:				
Charges for services	128,889	116,091	12,798	11.02%
Total program revenues	128,889	116,091	12,798	11.02%
Net program expenses	1,938,013	1,954,232	(16,219)	(0.83%)
General revenues:				
Property taxes levied for:				
General purposes	1,759,178	1,604,356	154,822	9.65%
Capital purchases	-	90,000	(90,000)	(100.00%)
Debt service	465,556	448,892	16,664	3.71%
Total property taxes levied	2,224,734	2,143,248	81,486	3.80%
Other revenue	111,439	85,462	25,977	30.40%
Operating grant revenue	5,352	5,352	-	0.00%
Total general revenues	2,341,525	2,234,062	107,463	4.81%
Increase in net position	403,512	279,830	123,682	44.20%
Net position, January 1, unadjusted	4,569,432	4,250,953	318,479	7.49%
Prior period adjustment	-	38,649	(38,649)	(100.00%)
Net position, January 1, restated	4,569,432	4,289,602	279,830	6.52%
Net position, December 31	\$ 4,972,944	\$ 4,569,432	\$ 403,512	8.83%

Revenues



Property tax revenue constituted 90% of the total governmental activities revenues received by the District in 2021 and 91% 2020.

The Cost of Operations & Maintenance comprised 46% and 47% of the District's total expenses in 2021 and 2020, respectively. Administration expenses comprised 40% of the total expenses in 2021 and 2020, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

The District uses fund accounting to document compliance with finance-related legal requirements.

Governmental 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, 2021, the combined balance of the governmental cash funds of the District was approximately \$2,670,500. This balance is approximately \$276,900 higher than last year's combined governmental funds cash balance.

The combined fund balance of the governmental fund of the District was approximately \$4,354,300. Of that total, funds of approximately \$369,100 have been restricted for capital, \$1,956,600 have been restricted for length of service awards program, \$7,000 have been restricted for unemployment claims, \$33,000 have been restricted for dedicated penalties, \$975,000 have been assigned for subsequent year's expenditures, and approximately \$1,013,600 is unassigned.

The general fund is the main operating fund of the District. At the end of 2021, the total fund balance of the general fund was approximately \$3,985,200. Of this balance, approximately \$1,013,600 of it was unassigned.

During 2021 the general fund balance of the District increased by approximately \$123,300. The primary reason for this increased are as follows:

- The Board had revenues in excess of expenses of approximately \$123,300.

At the end of 2021, the District had a capital projects fund balance of approximately \$369,100. This is an increase of approximately \$218,900. The primary reason for this increase are as follows:

- The Board revenues in excess of expenses of approximately \$218,900.

General Fund Budgetary Highlights

- The District had actual revenues in excess of budgeted revenues of approximately \$136,300 in 2021.
- Overall, the District's expenditures were approximately \$512,900 less than originally anticipated in the operating budget for 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2021 the District had invested in capital assets for government activities of approximately \$7,106,700 (net of accumulated depreciation). Capital assets consist of buildings and improvements and vehicles, machinery and equipment.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>	<u>\$ Increase (Decrease)</u>
Capital Assets:			
Non-depreciable:			
Construction in progress	\$ -	\$ -	\$ -
Total non-depreciable assets	-	-	-
Depreciable:			
Buildings and improvements	\$ 6,539,146	\$ 6,423,309	\$ 115,837
Vehicles, machinery & equipment	4,540,477	4,334,640	205,837
Total depreciable assets	<u>11,079,623</u>	<u>10,757,949</u>	<u>321,674</u>
Accumulated depreciation	<u>(3,972,888)</u>	<u>(3,544,548)</u>	<u>(428,340)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 7,106,735</u>	<u>\$ 7,213,401</u>	<u>\$ (106,666)</u>

Additional information on the District's capital assets can be found in Note 7 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2021, the District was able to fund its appropriations through the fire tax levy and other revenues. In 2021 the property tax revenue also constituted 90% of total revenues. The 2021 budget anticipated a deficit of \$559,273 but finished the year with a surplus of approximately \$84,798.

The District adopted their 2022 budget on January 4, 2022. The voters subsequently voted to approve the budget at the February election. The 2022 adopted budget reflected an increase in the tax levy of \$82,712, in which the Board anticipates no significant change to the fire tax rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District'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 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
District Wide Statement of Net Position
December 31, 2021

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash (Note 3)	\$ 2,670,474
Accounts receivable (Note 4)	38,898
Prepaid insurance	<u>137,634</u>
Total current assets	<u>2,847,006</u>
Noncurrent assets:	
Investment in length of service awards program:	
at fair value (Note 5)	1,700,696
at contract value (Note 6)	<u>185,138</u>
Total investment in length of service awards program	<u>1,885,834</u>
Total noncurrent assets	<u>1,885,834</u>
Capital assets, net	
Depreciable (Note 7)	<u>7,106,735</u>
Total capital assets	<u>7,106,735</u>
Total assets	<u>11,839,575</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 9)	<u>19,625</u>
Total deferred outflows of resources	<u>19,625</u>
Total assets and deferred outflows of resources	<u>\$ 11,859,200</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 235,254
Accrued interest payable	33,276
Accrued expenses	4,303
Pension payable	28,765
Bonds payable (Note 8)	<u>346,000</u>
Total current liabilities	<u>647,598</u>
Non-current liabilities:	
Bonds payable (Note 8)	3,756,000
Net pension liability (Note 9)	277,257
Investment in length of service awards program payable (Note 10)	<u>1,956,608</u>
Total non-current liabilities	<u>5,989,865</u>
Total liabilities	<u>6,637,463</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 9)	<u>248,793</u>
Total deferred inflows of resources	<u>248,793</u>
Total liabilities and deferred inflows of resources	<u>6,886,256</u>
NET POSITION	
Net investment in capital assets	3,004,735
Restricted:	
Capital	369,107
Unemployment claims	6,981
Dedicated penalties	33,025
Unrestricted	<u>1,559,096</u>
Total net position	<u>4,972,944</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 11,859,200</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
District Wide Statement of Activities
For the year ended December 31, 2021

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Operation appropriations:			
Administration	\$ 839,474	\$ -	\$ 839,474
Costs of operations and maintenance	947,843	128,889	818,954
Operating appropriations offset with revenues	94,328	-	94,328
Length of service awards program contribution	70,774	-	70,774
Interest expense	114,482	-	114,482
Total governmental activities	<u>\$ 2,066,901</u>	<u>\$ 128,889</u>	<u>1,938,012</u>
General revenues:			
Miscellaneous revenue			88,124
Operating grant revenues			28,667
Amount raised by taxation			<u>2,224,734</u>
Total general revenues			<u>2,341,525</u>
Excess of revenues over expenditures			403,513
Net position, January 1			<u>4,569,432</u>
Net position, December 31			<u>\$ 4,972,945</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Governmental Funds
Balance Sheet
For the year ended December 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Current assets:				
Cash	\$ 1,642,619	\$ 1,027,855	\$ -	\$ 2,670,474
Accounts receivable	38,898	-	-	38,898
Other receivables	573,448	-	-	573,448
Total current assets	<u>2,254,965</u>	<u>1,027,855</u>	<u>-</u>	<u>3,282,820</u>
Noncurrent assets:				
Investment in length of service awards program:				
at fair value	1,700,696	-	-	1,700,696
at contract value	185,138	-	-	185,138
Total investment in length of service awards program	<u>1,885,834</u>	<u>-</u>	<u>-</u>	<u>1,885,834</u>
Total noncurrent assets	<u>1,885,834</u>	<u>-</u>	<u>-</u>	<u>1,885,834</u>
Total assets	<u>\$ 4,140,799</u>	<u>\$ 1,027,855</u>	<u>\$ -</u>	<u>\$ 5,168,654</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 149,954	\$ 85,300	\$ -	\$ 235,254
Accrued expenses	4,303	-	-	4,303
Pension payable	1,356	-	-	1,356
Other payables	-	573,448	-	573,448
Total liabilities	<u>155,613</u>	<u>658,748</u>	<u>-</u>	<u>814,361</u>
Fund balances:				
Restricted for:				
Capital	-	369,107	-	369,107
Length of service awards program	1,956,608	-	-	1,956,608
Unemployment claims	6,981	-	-	6,981
Dedicated penalties	33,025	-	-	33,025
Assigned for:				
For subsequent year's expenditures	975,000	-	-	975,000
Unassigned, reported in:				
General fund	1,013,572	-	-	1,013,572
Total fund balances	<u>3,985,186</u>	<u>369,107</u>	<u>-</u>	<u>4,354,293</u>
Total liabilities and fund balances	<u>\$ 4,140,799</u>	<u>\$ 1,027,855</u>	<u>\$ -</u>	

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

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

137,634

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$11,079,623 and the accumulated depreciation is \$3,972,888.

7,106,735

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

(33,276)

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

(27,409)

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

(229,168)

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

(6,335,865)

Net position of governmental activities

\$ 4,972,944

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, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 2,534	\$ -	\$ -	\$ 2,534
Investment income - length of service award program	249,896	-	-	249,896
Municipal assistance	15,395	-	-	15,395
Miscellaneous	63,667	-	-	63,667
Sale of assets	6,528	-	-	6,528
Total miscellaneous revenues	<u>338,020</u>	<u>-</u>	<u>-</u>	<u>338,020</u>
Operating grant revenues:				
Supplemental fire service act	5,352	-	-	5,352
CARES Act grant	23,315	-	-	23,315
Total operating grant revenue	<u>28,667</u>	<u>-</u>	<u>-</u>	<u>28,667</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	36,517	-	-	36,517
Other revenues	92,372	-	-	92,372
Total miscellaneous revenues offset with appropriations	<u>128,889</u>	<u>-</u>	<u>-</u>	<u>128,889</u>
Amount raised by taxation to support district budget	1,759,178	-	465,556	2,224,734
Total anticipated revenues	<u>2,254,754</u>	<u>-</u>	<u>465,556</u>	<u>2,720,310</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	126,914	-	-	126,914
Fringe benefits	162,792	-	-	162,792
Other expenditures:				
Elections	3,469	-	-	3,469
Insurance	87,774	-	-	87,774
Memberships and dues	2,121	-	-	2,121
Office expenses	60,621	-	-	60,621
Professional services	88,644	-	-	88,644
Rental of office space	12,000	-	-	12,000
Utilities	123,592	-	-	123,592
Advertising and publications	1,793	-	-	1,793
Building and office repairs	169,754	-	-	169,754
Total administration	<u>839,474</u>	<u>-</u>	<u>-</u>	<u>839,474</u>
Cost of operations and maintenance:				
Other expenditures:				
Old Bridge Vol. Fire Co.	345,000	-	-	345,000
Maintenance and repair	137,380	-	-	137,380
Operating materials and supplies	15,267	-	-	15,267
Training and education	12,319	-	-	12,319
Traffic light maintenance	7,835	-	-	7,835
Uniforms and personal equipment	51,645	-	-	51,645
Contingent expenses	38,193	-	-	38,193
Communication equipment	63,577	-	-	63,577
Firefighting equipment	56,383	-	-	56,383
Safety officer equipment	6,804	-	-	6,804
Total cost of operations and maintenance	<u>734,403</u>	<u>-</u>	<u>-</u>	<u>734,403</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
For the year ended December 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Operating appropriations offset with revenues:				
Salaries and wages	94,328	-	-	94,328
Total operating appropriations offset with revenues	94,328	-	-	94,328
Length of service awards program:				
Participant withdrawals	63,280	-	-	63,280
Total length of service awards program	63,280	-	-	63,280
Total operating appropriations	1,731,485	-	-	1,731,485
Capital appropriations	-	181,081	-	181,081
Total capital appropriations	-	181,081	-	181,081
Debt service for capital appropriations:				
Principal on bonds	-	-	346,000	346,000
Interest on bonds	-	-	119,556	119,556
Total debt service for capital appropriations	-	-	465,556	465,556
Total governmental expenditures	1,731,485	181,081	465,556	2,378,122
Other finance sources and uses:				
Transfer of fund balance	(400,000)	400,000	-	-
Total other finance sources and uses	(400,000)	400,000	-	-
Excess of revenues over expenditures	123,269	218,919	-	342,188
Fund balance, January 1	3,861,917	150,188	-	4,012,105
Fund balance, December 31	<u>\$ 3,985,186</u>	<u>\$ 369,107</u>	<u>\$ -</u>	<u>\$ 4,354,293</u>

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

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 District Wide Statement of Activities
December 31, 2021

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	342,188
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Prepaid expenses are reported in governmental funds as expenditures. However, in the district wide statement of net position, the cost of those assets are expensed.</p>		
	Prior year	(139,683)
	Current year	<u>137,634</u>
		(2,049)
<p>Length of service awards program (LOSAP) contribution is not reported in governmental funds as expenditures. However, in the district wide statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.</p>		
	Length of service awards program contribution	(70,774)
	Appreciation in the value of investments	(249,896)
	Participant withdrawals	<u>63,280</u>
		(257,390)
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the district wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
	Capital outlay - General Fund	140,593
	Capital outlay - Capital Projects Fund	181,081
	Depreciation expense	<u>(428,340)</u>
		(106,666)
<p>Interest on long-term debt in the district wide statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.</p>		
	Prior Year	38,350
	Current Year	<u>(33,276)</u>
		5,074
<p>Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the district wide statement of net position and is not reported in the district wide statement of activities.</p>		
		346,000
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the district wide statement of net position because the reported net pension liability is measured a year before the District's report date. Pension benefit (expense), which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pension, is reported in the district wide statement of activities.</p>		
	Pension Benefit (Expense)	<u>76,356</u>
		<u>76,356</u>
Changes in net position of governmental activities	\$	<u><u>403,513</u></u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

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

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

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

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

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

District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2021:

<u>Officials:</u>	<u>Term Expires</u> <u>March</u>
Fredrick J. Hoover, Jr.	2024
Robert McDonald	2022
Michael P. Mosher	2024
Paul J. Prinzo	2023
Bruce R. Smith	2023

Accounting Records

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

Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 1: GENERAL INFORMATION (continued)

Component Units

GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units*. The District did not have a component unit as of and for the year ended December 31, 2021.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Governmental Funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

District Wide and Fund Financial Statements

The district wide financial statements (A-1 and A-2) include the district wide statement of net position and the district wide statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the district wide statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The district wide statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Wide and Fund Financial Statements (continued)

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

Fund Financial Statements

The fund financial statements provide detail of the governmental funds.

Basis of Accounting

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

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

In its accounting and financial reporting, the District follows the pronouncements of the GASB.

Budgets and Budgetary Accounting

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

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

Amendments may be made to the District budget in accordance with *N.J.S.A 40A: 14-78.3*. The budget may be amended subsequent to its final adoption and approval for additional items of revenue with offsetting appropriations in accordance with *N.J.S.A 40A: 14-78.5*. Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the District budget must appear on the ballot for the annual election for approval of the legal voters.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

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

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 District did not have encumbrances as of December 31, 2021.

Cash, Cash Equivalents and Investments

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

Prepaid Expenses

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

Debt Limitation

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

Buildings and improvements	5 to 40 years
Vehicles, machinery and equipment	5 to 25 years

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.

Other Receivables/Payables

Other receivables and payables are 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.

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.

Fire District Taxes

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Deferred Inflows of Resources

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

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

Pensions

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

Fund Equity

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

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Use of Estimates

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

Impact of Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements

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

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

Investments

Investments are reported at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value). Contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP Plan. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board determines the valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See Note 5 and Note 6 for discussion of fair value and contract value measurements, respectively.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2021 through the date of January 27, 2023, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2021, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 2,670,474
Total deposits	<u>\$ 2,670,474</u>
 Reconciliation to the Governmental funds:	
Governmental Funds	\$ 2,670,474
Total	<u>\$ 2,670,474</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, the District's bank balance of \$2,706,905 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUPA	<u>2,456,905</u>
Total	<u>\$ 2,706,905</u>

NOTE 4: ACCOUNTS RECEIVABLE

As of December 31, 2021, accounts receivables consisted of the following:

Uniform Fire Service Safety Act	\$ 11,545
Supplemental Fire Services Grant	10,704
Local fees	6,649
Borough of Milltown Interlocal Agreement	<u>10,000</u>
Total	<u>\$ 38,898</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 5: INVESTMENTS HELD AT FAIR VALUE

Custodial Credit Risk

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

Investment Interest Rate Risk

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

Investment Credit Risk

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

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

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). the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

Fair Value Measurement (continued)

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

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

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

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

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

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

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

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

The following table sets forth by level, within the value hierarchy, the District’s investments at fair value at December 31, 2021.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<i>Registered investment companies</i>	\$ 1,700,696	\$ -	\$ -	\$ 1,700,696
Total investments held at fair value	<u>\$ 1,700,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,700,696</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 6: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with the American International Group Finance and Insurance Company (AIG) totaling \$185,138 as of December 31, 2021. AIG maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP Plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer's ability to meet its financial obligations.

The fixed account continues in-force until they are terminated by AIG or the LOSAP Plan. For this reason, such contracts are referred to as "evergreen" contracts and do not define a maturity date. No events are probable of occurring might limit the ability of the LOSAP Plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP Plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value (See Note 2: *Investments*).

NOTE 7: CAPITAL ASSETS

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

Capital assets consisted of the following at December 31, 2021:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:				
Buildings	6,423,309	115,837	-	6,539,146
Vehicles, machinery and equipment	<u>4,334,640</u>	<u>205,837</u>	-	<u>4,540,477</u>
Total being depreciated	<u>10,757,949</u>	<u>321,674</u>	-	<u>11,079,623</u>
Less: accumulated depreciation:				
Buildings	(1,075,278)	(165,437)	-	(1,240,715)
Vehicles, machinery and equipment	<u>(2,469,270)</u>	<u>(262,903)</u>	-	<u>(2,732,173)</u>
Total accumulated depreciation	<u>(3,544,548)</u>	<u>(428,340)</u>	-	<u>(3,972,888)</u>
Total capital asset net of accumulated depreciation	<u>\$ 7,213,401</u>	<u>\$ (106,666)</u>	<u>\$ -</u>	<u>\$ 7,106,735</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 8: LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2021 the following changes occurred in liabilities reported in long-term debt:

	<u>Beginning Balance</u>	<u>Accrued/ increases</u>	<u>(Retired)/ (decreases)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 4,448,000	\$ -	\$ (346,000)	\$ 4,102,000	\$ 346,000
Investment in length of service awards program payable	1,699,218	320,670	(63,280)	1,956,608	70,774
Net pension liability	<u>425,979</u>	<u>-</u>	<u>(148,722)</u>	<u>425,979</u>	<u>-</u>
Total	<u>\$ 6,573,197</u>	<u>\$ 320,670</u>	<u>\$ (558,002)</u>	<u>\$ 6,335,865</u>	<u>\$ 416,774</u>

Bonds payable

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

The following is a schedule of future minimum bond payments at December 31, 2021:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 275,000	\$ 110,450	\$ 385,450
2023	285,000	104,850	389,850
2024	300,000	97,500	397,500
2025	315,000	88,275	403,275
2026	325,000	78,675	403,675
2027-2031	1,755,000	239,475	1,994,475
2032-2033	<u>705,000</u>	<u>20,355</u>	<u>725,355</u>
Total	<u>\$ 3,960,000</u>	<u>\$ 739,580</u>	<u>\$ 4,699,580</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, 2023.

The following is a schedule of future minimum bond payments at December 31, 2021:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 71,000	\$ -	\$ 71,000
2023	<u>71,000</u>	<u>-</u>	<u>71,000</u>
Total	<u>\$ 142,000</u>	<u>\$ -</u>	<u>\$ 142,000</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>. The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

Basis of Presentation

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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 2021, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2021, the District's contractually required contribution to PERS plan was \$27,409

Components of Net Pension Liability

At December 31, 2021, the District's proportionate share of the PERS net pension liability was \$277,257. The net pension liability was measured as of June 30, 2021. 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, 2020, which was rolled forward to June 30, 2021. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. The District's proportion measured as of June 30, 2021, was 0.0023404167% which was a decrease of 0.0002717695% from its proportion measured as of June 30, 2020.

Balances at December 31, 2021 and December 31, 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
	June 30, 2021	June 30, 2020
Actuarial valuation date (including roll forward)	June 30, 2021	June 30, 2020
Deferred Outflows of Resources	\$ 19,625	\$ 66,162
Deferred Inflows of Resources	248,793	221,796
Net Pension Liability	277,257	425,979
District's portion of the plan's total Net Pension Liability	0.00234%	0.00261%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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

At December 31, 2021, the District's proportionate share of the PERS (benefit) expense, calculated by the plan as of the June 30, 2021 measurement date is \$(47,777). At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,373	\$ 1,985
Changes of Assumptions	1,444	98,705
Net difference between projected and actual earnings on pension plan investments	-	73,037
Changes in proportion and differences between the District's contributions and proportion share of contributions	<u>13,808</u>	<u>75,066</u>
	<u><u>\$ 19,625</u></u>	<u><u>\$ 248,793</u></u>

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	5.13	-

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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

Changes in assumptions

Year of pension plan deferral:

June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	-	5.13

Net difference between projected and actual earnings on pension plan investments

Year of pension plan deferral:

June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-

Changes in proportion and differences between The District's contributions and proportionate share of contributions

Year of Pension Plan Deferral:

June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Pension (Benefit) Expense and Deferred Outflows/Inflows of Resources (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>
2022	\$ (86,831)
2021	(66,946)
2022	(46,432)
2023	(22,891)
2024	<u>(6,068)</u>
Total	<u>\$ (229,168)</u>

Actuarial Assumptions

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

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% - 6.00% Based on Age
Thereafter	3.00% - 7.00% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010 General Below – Median Income Employee Mortality table fully generational mortality improvement projections from the central year using Scale MP- 2021
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Actuarial Assumptions (continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
	<u>100.00%</u>	

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

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

	1 % Decrease	Current	1% Increase
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
District's proportionate share of the Net Pension Liability	<u>\$ 381,593</u>	<u>\$ 277,257</u>	<u>\$ 194,177</u>

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM

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

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

Contributions

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Contributions (continued)

The District elected to contribute up to \$1,804 for the year ended December 31, 2021, per eligible volunteer, into the LOSAP Plan. During the year ended December 31, 2021, the District contributed a total of \$70,774 to the LOSAP Plan. Participants direct the investment of the contributions into various investment options offered by the LOSAP Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the LOSAP Plan. The types of investment options, and the administering of such investments, rests solely with the LOSAP Plan Administrator.

Participant Accounts

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

Vesting

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

Payment of Benefits

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the LOSAP Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local LOSAP Plan administrator to payout a portion of vested accumulated deferrals. There were no payouts of benefits during the year ended December 31, 2021.

Forfeited Accounts

There were \$63,280 of forfeitures during the year ended December 31, 2021.

Investments

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

LOSAP Plan Information

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 11: RISK MANAGMENT

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

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.

New Jersey Unemployment Compensation Insurance

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

For the year ended December 31,	<u>Interest</u>	<u>Employee</u>	<u>Ending Balance</u>
2021	\$ -	\$ -	\$ 6,981
2020	-	-	6,981
2019	-	-	6,981

NOTE 12: COMMITMENTS

The District entered into a contract with the Old Bridge Volunteer Fire Company for fire protection services and the rental of administrative office space. The contract term is for one year terminating on December 31, 2021, unless otherwise renewed and extended. The District incurred fire protection and rent expense in the amount of \$345,000 for the year ended December 31, 2021. As of December 31, 2021, the District extended the contract terms for an additional one year until December 31, 2022, with the amount to be paid under the contract terms for the year ended December 31, 2021 of \$345,000.

NOTE 13: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the District, as provided for by the state statute. For the year ended December 31, 2021, the fire tax rate on the Fire District No. 1 was approximately \$.310 per \$100 of assessed valuation.

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to Financial Statements (continued)

NOTE 14: OTHER RECEIVABLES/PAYABLES

Other receivable/payables are interfunds whose purpose is for short-term borrowing. As of December 31, 2021, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 573,448	\$ -
Capital projects	-	573,448
Total	<u>\$ 573,448</u>	<u>\$ 573,448</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 district wide of the statement of net position, except for the net residual amounts due between governmental and district wide financial statements, which are presented as internal balances in the district wide statement of net position.

NOTE 15: FUND BALANCE

General Fund – Of the \$3,985,186 General Fund balance at December 31, 2021, \$1,956,608 has been restricted for length of service award program, \$6,981 has been restricted for unemployment claims, \$33,025 has been restricted for dedicated penalties; \$975,000 has been assigned for subsequent year’s expenditures, and \$1,013,572 is unassigned.

Capital Projects Fund – Of the \$369,107 Capital Projects Fund balance at December 31, 2021, \$369,107 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: RISKS, CONCENTRATIONS AND UNCERTANTIES

Pending Litigation

There are actions, which have been instituted against the District. The outcomes of these cases cannot be determined at the present time. The final outcomes, if unfavorable to the District, will be covered through insurance or the budgetary process.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Budgetary Comparison Schedule
For the year ended December 31, 2021

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Interest on investments	\$ 5,000	\$ 5,000	\$ 2,534	\$ (2,466)
Municipal assistance	9,000	9,000	15,395	6,395
Miscellaneous	-	-	63,667	63,667
Sale of assets	-	-	6,528	6,528
Total miscellaneous revenues	<u>14,000</u>	<u>14,000</u>	<u>88,124</u>	<u>74,124</u>
Operating grant revenues:				
Supplemental fire service act	5,352	5,352	5,352	-
CARES Act grant	-	-	23,315	23,315
Total operating grant revenue	<u>5,352</u>	<u>5,352</u>	<u>28,667</u>	<u>23,315</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	25,000	25,000	36,517	11,517
Other revenues	65,000	65,000	92,372	27,372
Total miscellaneous revenues offset with appropriations	<u>90,000</u>	<u>90,000</u>	<u>128,889</u>	<u>38,889</u>
Total revenues	<u>109,352</u>	<u>109,352</u>	<u>245,680</u>	<u>136,328</u>
Amount raised by taxation to support district budget	<u>2,224,734</u>	<u>2,224,734</u>	<u>2,224,734</u>	<u>-</u>
Total anticipated revenues	<u>2,334,086</u>	<u>2,334,086</u>	<u>2,470,414</u>	<u>136,328</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	181,524	181,524	126,914	54,610
Fringe benefits	244,316	201,316	162,792	38,524
Other expenditures:				
Elections	7,000	7,000	3,469	3,531
Insurance	82,667	90,867	87,774	3,093
Memberships and dues	5,000	5,000	2,121	2,879
Office expenses	36,500	62,609	60,621	1,988
Professional services	122,500	112,000	88,644	23,356
Travel expenses	2,000	-	-	-
Rental of office space	12,000	12,000	12,000	-
Utilities	141,000	142,300	123,592	18,708
Advertising and publications	3,500	3,500	1,793	1,707
Building and office repairs	156,500	175,192	169,754	5,438
Total administration	<u>994,507</u>	<u>993,308</u>	<u>839,474</u>	<u>153,834</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2021

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Cost of operations and maintenance:				
Other expenditures:				
Old Bridge Vol. Fire Co.	345,000	345,449	345,000	449
Maintenance and repair	127,000	141,775	137,380	4,395
Operating materials and supplies	84,600	64,600	15,267	49,333
Training and education	24,600	24,731	12,319	12,412
Traffic light maintenance	5,000	8,000	7,835	165
Uniforms and personal equipment	79,000	79,000	51,645	27,355
Contingent expenses	40,000	40,000	38,193	1,807
Communication equipment	60,000	64,625	63,577	1,048
Firefighting equipment	96,000	97,096	56,383	40,713
Safety officer equipment	8,000	9,375	6,804	2,571
Total cost of operations and maintenance	869,200	874,651	734,403	140,248
Operating appropriations offset with revenues:				
Salaries and wages	90,000	90,000	94,328	(4,328)
Total operating appropriations offset with revenues	90,000	90,000	94,328	(4,328)
Length of service awards program	75,000	75,000	70,774	4,226
Capital appropriations	400,000	400,000	181,081	218,919
Debt service for capital appropriations:				
Principal on bonds	346,000	346,000	346,000	-
Interest on bonds	118,652	119,556	119,556	-
Total debt service for capital appropriations	464,652	465,556	465,556	-
Total operating appropriations	2,893,359	2,898,515	2,385,616	512,899
Excess (efficiency) of revenues over (under) expenditures	(559,273)	(564,429)	84,798	649,227
Fund balance, January 1	2,312,887	2,312,887	2,312,887	-
Fund balance, December 31	\$ 1,753,614	\$ 1,748,458	\$ 2,397,685	\$ 649,227

RECAPITULATION OF FUND BALANCE

Restricted fund balance:	
Capital	\$ 369,107
Unemployment claims	6,981
Dedicated penalties	33,025
Assigned fund balance:	
Designated for subsequent year's expenditures	975,000
Other purposes	
Unassigned fund balance	1,013,572
Total - budgetary basis	2,397,685
Reconciliation to governmental fund statements:	
Length of service awards program investment balance not recognized on the budgetary basis	1,956,608
Total fund balance per governmental funds	\$ 4,354,293

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, 2021

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,470,414
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in the value of investments	<u>249,896</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 2,720,310</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,385,616
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the LOSAP Plan.	
Length of service awards program district contribution	(70,774)
Participant forfeitures	<u>63,280</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 2,378,122</u></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 Nine Fiscal Years *

	Measurement Date Ended June 30,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00234%	0.00261%	0.00267%	0.00259%	0.00288%	0.00256%	0.00258%	0.00254%	0.00263%
District's proportionate share of the net pension liability (asset)	\$ 277,257	\$ 425,979	\$ 481,737	\$ 510,648	\$ 671,043	\$ 758,943	\$ 578,738	\$ 475,571	\$ 503,063
District's covered-employee payroll	\$ 165,363	\$ 189,894	\$ 185,546	\$ 181,616	\$ 182,670	\$ 173,385	\$ 176,505	\$ 171,239	\$ 167,571
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	167.67%	224.32%	259.63%	281.17%	367.35%	437.72%	327.89%	277.72%	300.21%
Plan fiduciary net position as a percentage of the total pension liability	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

	Year Ended December 31,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 27,409	\$ 28,576	\$ 26,006	\$ 25,797	\$ 26,705	\$ 22,765	\$ 22,165	\$ 20,940	\$ 19,833
Contributions in relation to the contractually required contribution	(27,409)	(28,576)	(26,006)	(25,797)	(26,705)	(22,765)	(22,165)	(20,940)	(19,833)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 143,411	\$ 165,363	\$ 189,894	\$ 185,546	\$ 181,616	\$ 182,670	\$ 173,385	\$ 176,505	\$ 171,239
Contributions as a percentage of covered-employee payroll	19.11%	17.28%	13.70%	13.90%	14.70%	12.46%	12.78%	11.86%	11.58%

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF EAST BRUNSWICK
Notes to the Required Supplementary Information
December 31, 2021

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

The June 30, 2021 measurement date includes one change in plan provisions as Chapter 140, P.L. 2021 reopened the Worker's Compensation Judges (WCJ) Part of PERS and transferred WCJs from the Defined Contribution Retirement Program (DCRP) and regular part of PERS into the WCJ Part of PERS.

Changes of Assumptions

The discount rate used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	5.66%	2015	4.90%
2020	7.00%	2017	5.00%	2014	5.39%
2019	6.28%	2016	3.98%		

The long-term expected rate of return used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	7.00%	2015	7.90%
2020	7.00%	2017	7.00%	2014	7.90%
2019	7.00%	2016	7.65%		

The mortality assumption was updated upon the direction from the Division of Pensions and Benefits.

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 (hereafter referred to as the District), County of Middlesex, State of New Jersey for the year ended December 31, 2021. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECCOMEDATIONS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$44,000, except by contract or agreement. The District has a qualified purchasing agent on staff.

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

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$6,600 "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 District obtained three quotes.

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.

Examination of Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority 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 District's operating and capital budgets be approved and adopted for each fiscal year. The District approved its operating budget on December 1, 2020 and adopted its operating budget on January 5, 2021.

Current Year's Findings

There were no current year findings.

Follow-Up of Prior Year's Findings

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

Acknowledgment

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 27, 2023
Lakewood, New Jersey