

**FIRE DISTRICT NO. 2
OF THE TOWNSHIP OF SOUTH BRUNSWICK**

Financial Statements and Supplementary Schedules

For the year ended December 31, 2021

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Financial Statements and Supplementary Schedules
For the year ended December 31, 2021
(With Independent Auditor's Report thereon)

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Management's Discussion and Analysis	6
District Wide Statement of Net Position	12
District Wide Statement of Activities	13
Governmental Funds Balance Sheet	14
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	15
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
Notes to Financial Statements	18
Required Supplementary Information:	
Budgetary Comparison Schedule	35
Notes to the Required Supplementary Information: Budget-to-GAAP Reconciliation	37
Other Information:	
Long-Term Debt Schedule of Obligations under Capital Leases	38
General Comments and Recommendations	39



INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 2 of the Township of South Brunswick
County of Middlesex
Monmouth Junction, New Jersey

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. 2 of the Township of South Brunswick, 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 Fire District No. 2 of the Township of South Brunswick, County of Middlesex, State of New Jersey, 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 Fire District No. 2 of the Township of South Brunswick 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Fire District No. 2 of the Township of South Brunswick'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 Responsibility

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 Fire District No. 2 of the Township of South Brunswick'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 Fire District No. 2 of the Township of South Brunswick'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 budgetary comparison information be presented to

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021 on our consideration of Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting and compliance.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 9, 2022
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

Board of Fire Commissioners
Fire District No. 2 of the Township of South Brunswick
County of Middlesex
Monmouth Junction, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fire District No. 2 of the Township of South Brunswick, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Fire District No. 2 of the Township of South Brunswick’s basic financial statements, and have issued our report thereon dated June 9, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 2 of the Township of South Brunswick’s internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 2 of the Township of South Brunswick’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 2 of the Township of South Brunswick's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs State of New Jersey.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 2 of the Township of South Brunswick's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 2 of the Township of South Brunswick's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 9, 2022
Lakewood, New Jersey

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

This section of the Fire District No. 2 of the Township of South Brunswick (the "District") annual financial report presents a discussion and analysis of the Fire District's financial performance during the fiscal year that ended on December 31, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During 2021, the District operated at a surplus of approximately \$411,100. The District had a surplus of approximately \$474,400 in 2020. This is an decrease of approximately \$63,300.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 2 of the Township of South Brunswick's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the Fire District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Fire District's capital plan, budget, and other management tools were used for this analysis.

The financial statements report information about the District using the accrual basis of accounting, and, for the governmental funds, using the modified accrual basis of accounting. The combined financial statement, Governmental Funds Balance Sheet/Statement of Net Position includes a column to report governmental funds, a conversion column and a column to report Net Position. The combined financial statement, Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Net Position also includes columns to report governmental funds, conversion transactions and the Statement of Activity.

The notes to the financial statements provide required disclosures and other information essential to a complete understanding of information provided in the financial statements. The notes contain information about the Fire District's accounting policies, significant account balances and changes, material risks, obligations, commitments, contingencies and subsequent events.

FINANCIAL ANALYSIS OF THE FIRE DISTRICT

The following tables and other information are provided as key financial data used by management for monitoring and planning purposes.

Fire District No. 2 of the Township of South Brunswick's net position is a useful indicator of the District's financial condition. At the end of 2021 the District's assets exceeded the liabilities by approximately \$4,395,000. The largest portion of Fire District No. 2 of the Township of South Brunswick's net position (56.1%) is its investment in capital assets. The District uses these assets to

provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 2 of the Township of South Brunswick's investment in capital assets is reported net of any related debt. The Board had debt of \$200,181 as of December 31, 2021.

Table one summarizes the changes in net position between December 31, 2021 and 2020 (respectively):

TABLE ONE
Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Current assets	\$ 2,004,788	\$ 1,742,404	\$ 262,384	15.06%
Capital assets, net	2,667,638	2,910,463	(242,825)	(8.3%)
Noncurrent assets	<u>1,433,166</u>	<u>1,286,112</u>	147,054	11.4%
Total assets	<u>6,105,592</u>	<u>5,938,979</u>	166,613	2.8%
Total liabilities	<u>(1,710,839)</u>	<u>(1,662,803)</u>	48,036	2.9%
Net position	<u>\$ 4,394,753</u>	<u>\$ 4,276,176</u>	118,579	2.8%

Analysis of net position

	<u>2021</u>	<u>2020</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Investment in capital assets, net of related debt	\$ 2,467,457	\$ 2,613,355	\$ (145,898)	(5.6%)
Restricted for:				
Capital projects	1,330,477	1,082,740	247,737	22.9%
Assigned for				
Other purposes	60,705	79,595	(18,890)	(23.7%)
Unrestricted	<u>536,114</u>	<u>500,486</u>	35,630	7.12%
Total net position	<u>\$ 4,394,753</u>	<u>\$ 4,276,176</u>	118,577	2.8%

The net position of Fire District No. 2 of the Township of South Brunswick increased approximately \$119,000 during the 2021 period.

Operating Activities

Table two summarizes the changes in revenues, expenses and net position between fiscal years December 31, 2021 and 2020 (respectively).

TABLE TWO
Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Increase</u> <u>(Decrease)</u>	<u>% Increase</u> <u>(Decrease)</u>
Revenues				
General revenues:				
District taxes levied for:				
General purposes	\$ 686,242	\$ 692,440	\$ (6,198)	(0.9%)
Capital projects fund	246,413	223,815	22,598	10.1%
Debt service fund	103,345	103,345	-	0.0%
Supplemental fire grant				
service grant	5,380	5,380	-	0.0%
Other	<u>14,248</u>	<u>30,567</u>	(16,319)	(53.4%)
Total Revenues	<u>1,055,628</u>	<u>1,055,547</u>	81	0.0%
Expenses:				
Administrative expenses	305,828	287,446	18,382	6.4%
Cost of operations and maintenance	590,997	607,869	(16,872)	(2.8%)
Length of service award program	<u>41,808</u>	<u>34,340</u>	7,468	21.7%
Total program expenses	<u>938,633</u>	<u>929,655</u>	8,978	1.0%
Change in net position	118,579	125,892	(7,313)	(6.0%)
Net position, January 1	<u>4,276,174</u>	<u>4,150,284</u>	125,890	3.0%
Net position, December 31	<u>\$ 4,394,755</u>	<u>\$ 4,276,174</u>	118,577	2.8%

Property tax revenue constituted 98% of the total governmental activities revenues received by Fire District No. 2 of the Township of South Brunswick in 2021. In 2020 the property tax revenue constituted 97% of total revenues.

The Cost of Operations & Maintenance was 62% and 65% of the District's total expenses in 2021 and 2020, respectively. Administration expenses equaled 33% and 31% of the total expenses in 2021 and 2020, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 2 of the Township of South Brunswick uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

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

As of December 31, 2021, the combined balance of the governmental cash funds of Fire District No. 2 of the Township of South Brunswick was approximately \$2,005,000. This balance is approximately \$268,000 higher than last year's combined governmental funds cash balance. The funds realized a combined excess of revenues over expenditures for the year of approximately \$411,100.

The combined balance of the governmental funds of Fire District No. 2 of the Township of South Brunswick was a surplus of approximately \$3,361,363. An amount of approximately \$366,000 is designated as unreserved fund balance. The Board has designated approximately \$171,000 for utilization in the 2022 budget and \$61,000 for other purposes. Approximately \$1,330,500 is restricted for capital and approximately \$1,433,200 is restricted for the District's length of service award program.

The general fund is the main operating fund of Fire District No. 2 of the Township of South Brunswick. At the end of 2021, the total fund balance of the general fund was approximately \$2,030,900.

During 2021 the general fund balance of Fire District No. 2 of the Township of South Brunswick increased by approximately \$163,000. The primary reason for this increase is due to general fund revenues exceeding expenditures by approximately \$163,000.

At the end of 2021, the District had a capital projects fund balance of approximately \$1,330,500. This was an increase of approximately \$247,700 from the previous year. The major changes in this fund balance were:

- The budget raised approximately \$246,400 for future capital outlays.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2021 Budget was balanced with the utilization of \$159,038 of General Fund surplus. The Board realized a budgetary surplus of approximately \$264,041 in 2021.

The District had total revenues in excess of expenditures in 2021 and 2020 of approximately \$264,000 and \$247,000, respectively. In 2022 the Board expects to utilize \$171,393 of general fund surplus.

Administrative expenses were approximately \$71,500 less than projected in 2021. Operating expenses were approximately \$127,000 less than projected in 2021.

CAPITAL ASSETS

As of December 31, 2021 Fire District No. 2 of the Township of South Brunswick had invested in capital assets for government activities approximately \$2,667,600. The District did not purchase capital assets in 2021.

Table three summarizes the changes in capital assets at December 31, 2021 and 2020 (respectively).

TABLE THREE
Capital Assets - Net of Depreciation

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Governmental activities:			
Capital assets that are not being depreciated			
Land	\$ 462,991	\$ 462,991	-
Total capital assets that are not being depreciated	<u>462,991</u>	<u>462,991</u>	-
Vehicles and apparatus	3,018,121	3,018,121	-
Building and improvements	2,516,345	2,516,345	-
Equipment	<u>541,320</u>	<u>541,320</u>	-
Totals at historical cost	<u>6,075,786</u>	<u>6,075,786</u>	-
Less: accumulated depreciation			
Vehicles and apparatus	(1,931,679)	(1,790,418)	(141,261)
Buildings and improvements	(1,529,960)	(1,467,051)	(62,909)
Equipment	<u>(409,500)</u>	<u>(370,845)</u>	(38,655)
Total accumulated depreciation	<u>(3,871,134)</u>	<u>(3,628,314)</u>	(242,825)
Total capital assets, net of accumulated depreciation	<u>\$ 2,667,668</u>	<u>\$ 2,910,463</u>	(242,825)

Long-term Obligations

The Fire District's long-term debt at December 31, 2021 was \$200,181. Principal payments related to the capital lease are due annually and mature on October 19, 2023. Additional information on the Fire District's long-term debt can be found in Note 6 in the financial statements.

Next Year's Budget

The District adopted a \$1,232,873 budget for 2022, an increase of \$32,205 when compared to 2021. Fund Balance utilized in 2022 increased by \$12,355. Capital appropriations increased by \$21,599. The Tax Levy increased by \$20,000 when compared to 2021.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District's finances and to demonstrate the Fire District's accountability for the money it receives. If you have any question about this report or need any additional information, contact the Fire District in writing, at 573 Ridge Road, P.O. Box 114, Monmouth Junction, New Jersey 08852 or by telephone at (732) 329-0250.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Statement of Net Position
December 31, 2021

	<u>2021</u>
Assets:	
Current assets:	
Cash (Note 3)	\$ 2,004,788
Total current assets	2,004,788
Noncurrent assets:	
Investment in length of service award program:	
at fair value (Note 4)	1,284,673
at contract value (Note 5)	148,493
Total investment in length of service awards program	1,433,166
Total noncurrent assets	1,433,166
Capital assets, net:	
Nondepreciable (Note 6)	462,991
Depreciable (Note 6)	2,204,647
Total capital assets	2,667,638
Total assets	\$ 6,105,592
Liabilities:	
Current liabilities:	
Accounts payable	\$ 71,211
Grant advance	5,380
Accrued interest	901
Capital lease payable (Note 7)	99,021
Total current liabilities	176,513
Noncurrent liabilities:	
Investment in length of service award program payable (Note 4)	1,433,166
Capital lease payable (Note 7)	101,160
Total noncurrent liabilities	1,534,326
Total liabilities	1,710,839
Net position:	
Net investment in capital assets	2,467,457
Restricted net position:	
Capital	1,330,477
Assigned net position:	
Other purposes	60,705
Unrestricted	536,114
Total net position	4,394,753
Total liabilities and net position	\$ 6,105,592

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Statement of Activities
For the year ended December 31, 2021

	<u>Expenses</u>	<u>Governmental Activities</u>
		<u>2021</u>
Government activities:		
Operation appropriations:		
Administration	\$ 305,828	\$ 305,828
Costs of operations and maintenance	585,015	585,015
Interest expense	5,982	5,982
Length of service award contribution	41,808	41,808
	<u>938,633</u>	<u>938,633</u>
Total government activities		
General revenues:		
Miscellaneous revenue		15,832
Operating grant revenues		5,380
Amount raised by taxation		1,036,000
		<u>1,057,212</u>
Total general revenues		
Change in net position		118,579
Net position, January 1		<u>4,276,174</u>
Net position, December 31		<u>\$ 4,394,753</u>

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Balance Sheet
December 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2021</u>
Assets:				
Current assets:				
Cash	\$ 674,311	\$ 1,330,477	\$ -	\$ 2,004,788
Total current assets	<u>674,311</u>	<u>1,330,477</u>	<u>-</u>	<u>2,004,788</u>
Noncurrent assets:				
Investment in length of service award program:				-
at fair value	1,284,673	-	-	1,284,673
at contract value	148,493	-	-	148,493
Total investment in length of service awards program	<u>1,433,166</u>	<u>-</u>	<u>-</u>	<u>1,433,166</u>
Total noncurrent assets	<u>1,433,166</u>	<u>-</u>	<u>-</u>	<u>1,433,166</u>
Total assets	<u>\$ 2,107,477</u>	<u>\$ 1,330,477</u>	<u>\$ -</u>	<u>\$ 3,437,954</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 71,211	\$ -	\$ -	\$ 71,211
Grant advance - SFSP	5,380	-	-	5,380
Total liabilities	<u>76,591</u>	<u>-</u>	<u>-</u>	<u>76,591</u>
Fund balances:				
Restricted for:				
Capital	-	1,330,477	-	1,330,477
Length of service award program	1,433,166	-	-	1,433,166
Assigned for:				
For subsequent year's expenditures	171,393	-	-	171,393
Other purposes	60,705	-	-	60,705
Unassigned, reported in:				
General fund	<u>365,622</u>	<u>-</u>	<u>-</u>	<u>365,622</u>
Total fund balance	<u>2,030,886</u>	<u>1,330,477</u>	<u>-</u>	<u>3,361,363</u>
Total liabilities and fund balance	<u>\$ 2,107,477</u>	<u>\$ 1,330,477</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:				
Capital assets used in governmental activities are no financial resources and therefore are not reported in the funds. The cost of the assets is \$6,538,777 and the accumulated depreciation is \$3,871,139.				2,667,638
Accrued interest not recorded in the current financial statements.				(901)
Long-term liabilities, including capital leases and length of service award program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.				<u>(1,633,347)</u>
Net position of governmental activities				<u>\$ 4,394,753</u>

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH 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 December 31, 2021</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 259	\$ 1,325	\$ -	\$ 1,584
Investment income - length of service award program	221,198	-	-	221,198
Other revenue	14,248	-	-	14,248
Total miscellaneous revenues	<u>235,705</u>	<u>1,325</u>	<u>-</u>	<u>237,030</u>
Operating grant revenues:				
Supplemental fire service act	5,380	-	-	5,380
Total operating grant revenue	<u>5,380</u>	<u>-</u>	<u>-</u>	<u>5,380</u>
Total revenues	<u>241,085</u>	<u>1,325</u>	<u>-</u>	<u>242,410</u>
Amount raised by taxation to support district budget	<u>686,242</u>	<u>246,413</u>	<u>103,345</u>	<u>1,036,000</u>
Total anticipated revenues	<u>927,327</u>	<u>247,738</u>	<u>103,345</u>	<u>1,278,410</u>
Expenditures:	907,699			
Operating appropriations:				
Administration:				
Salaries and wages	119,557	-	-	119,557
Fringe benefits	61,515	-	-	61,515
Other expenditures:				
Shared services	80,000	-	-	80,000
Elections	11,759	-	-	11,759
Professional fees	22,510	-	-	22,510
Memberships/dues	528	-	-	528
Office supplies	2,300	-	-	2,300
Other outside services	7,659	-	-	7,659
Total administration	<u>305,828</u>	<u>-</u>	<u>-</u>	<u>305,828</u>

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH 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 December 31, 2021</u>
Cost of operations and maintenance:				
Fringe benefits	33,099	-	-	33,099
Other expenditures:				
Advertising	458	-	-	458
Insurance	33,896	-	-	33,896
Maintenance and repairs	61,463	-	-	61,463
Memberships/dues	668	-	-	668
Supplies	7,204	-	-	7,204
Training and education	6,669	-	-	6,669
Turnout Gear/uniforms	2,185	-	-	2,185
Utilities	37,614	-	-	37,614
Reimbursement - expenses and losses	7,125	-	-	7,125
Contracted services - Volunteer Fire Co.	46,700	-	-	46,700
Aid to First Aid Squad Assn.	12,000	-	-	12,000
Promotion	325	-	-	325
Supplemental fire services act	5,380	-	-	5,380
Facilities expense	53,699	-	-	53,699
Non-bondable assets	33,705	-	-	33,705
Total cost of operations and maintenance	<u>342,190</u>	<u>-</u>	<u>-</u>	<u>342,190</u>
Length of service award program				
Administrative fees	1,383	-	-	1,383
Participant withdrawals	114,570	-	-	114,570
Total length of service award program	<u>115,953</u>	<u>-</u>	<u>-</u>	<u>115,953</u>
Capital appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service for capital appropriations:				
Capital leases	-	-	96,927	96,927
Interest on capital leases	-	-	6,418	6,418
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>103,345</u>	<u>103,345</u>
Total governmental expenditures	<u>763,971</u>	<u>-</u>	<u>103,345</u>	<u>867,316</u>
Excess (deficiency) of revenues and other financing sources under (over) expenditures and other financing sources	163,356	247,738	-	411,094
Fund balance, January 1	<u>1,867,530</u>	<u>1,082,739</u>	<u>-</u>	<u>2,950,269</u>
Fund balance, December 31	<u>\$ 2,030,886</u>	<u>\$ 1,330,477</u>	<u>\$ -</u>	<u>\$ 3,361,363</u>

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2021

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 411,094

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

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

Capital Outlays-Capital Fund		
Depreciation Expense	<u>(242,825)</u>	(242,825)

Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms.

Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

District contribution to length of service award program	(41,808)	
Appreciation in fair value of investments	(221,198)	
Administrative fees	1,383	
Participant withdrawals	<u>114,570</u>	(147,053)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

96,927

Accrual of interest on capital leases is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	1,337	
Current year	<u>(901)</u>	436

Change in net position of governmental activities \$ 118,579

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements
For the year ended December 31, 2021

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

Fire District No. 2 of the Township of South Brunswick is a political subdivision of the Township of South Brunswick, County of Middlesex, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of February.

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

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

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

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

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>
Thomas Kazanski	2022
Charles Smith	2023
Charles Spahr	2024
Douglas Wolfe	2024
Thomas Young Jr.	2022

Accounting Records

The official accounting records of the Fire District No. 2 of the Township of South Brunswick are maintained in the office of the District.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 1: GENERAL INFORMATION (continued)

Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

Component Units

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

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.”

Governmental Funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

District Wide and Fund Financial Statements

District Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Wide and Fund Financial Statements (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

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

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, Fire District No. 2 of the Township of South Brunswick follows the pronouncements of the Governmental Accounting Standards Board (GASB).

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

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

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

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

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

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

Encumbrances

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were \$60,705 of encumbrances as of December 31, 2021.

Cash and Cash Equivalents

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

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

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

Prepaid Expenses

Prepaid expenses that 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 such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

Capital Assets

Capital assets, which include land, building, improvements and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$5,000.

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Building Improvements	40 Years
Apparatus and Vehicles	10 to 20 Years
Equipment	10 to 15 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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Receivable/Payable

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

Revenues and Expenditures

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

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

Fire District Taxes

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

Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 2 of South Brunswick classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority 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 District Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity (continued)

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

Net Position

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

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

Use of Estimates

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

Impact of Recently Issued Accounting Principles

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2021, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

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

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

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

Registered Investment Companies: Valued at the net asset value (NAV) of shares held by the 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 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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2021.

Subsequent Events

Fire District No. 2 of the Township of South Brunswick has evaluated subsequent events occurring after December 31, 2021 through the date of **June 9, 2022** June 9, 2022, which is the date the financial statements were available to be issued.

NOTE 3: CASH

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

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 2,004,788
Total Deposits	<u>\$ 2,004,788</u>

Reconciliation to Governmental Fund Statements:

Governmental Funds	\$ 2,004,788
Total	<u>\$ 2,004,788</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 \$2,015,793 was insured or collateralized as follows:

Insured	\$ 500,000
Collateralized not in the District's name (New Jersey Cash Management Fund)	235,617
Collateralized in the District's name under GUDPA	<u>1,280,176</u>
Total	<u>\$ 2,015,793</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 4: INVESTMENTS

Custodial Credit Risk

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

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2021, are provided in the below schedule.

Investment Credit Risk

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

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

As of December 31, 2021, the Fire District had the following investments and maturities:

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 4: INVESTMENTS (continued)

Investment Credit Risk (continued)

	Assets at Fair Value as of December 31, 2021			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<i>Registered investment companies</i>	\$ 1,433,166	\$ -	\$ -	\$ 1,433,166
Total investments held at fair value	<u>\$ 1,433,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,433,166</u>

NOTE 5: INVESTMENTS HELD AT CONTRACT VALUE

The Fire District held a fully benefit-responsive investment contract with Lincoln Financial (Lincoln) totaling \$148,493 as of December 31, 2021. Lincoln 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 Lincoln 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 6: CAPITAL ASSETS

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 6: CAPITAL ASSETS (continued)

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

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2021</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 462,991	\$ -	\$ -	\$ 462,991
Total capital assets that are not being depreciated	<u>462,991</u>	<u>-</u>	<u>-</u>	<u>462,991</u>
Vehicles and apparatus	3,018,121	-		3,018,121
Buildings and improvements	2,516,345	-	-	2,516,345
Equipment	<u>541,320</u>	<u>-</u>	<u>-</u>	<u>541,320</u>
Total assets being depreciated at historical cost	<u>6,075,786</u>	<u>-</u>	<u>-</u>	<u>6,075,786</u>
Less: accumulated depreciation				
Vehicles and apparatus	(1,790,418)	(141,261)		(1,931,679)
Buildings and improvements	(1,467,051)	(62,909)	-	(1,529,960)
Equipment	<u>(370,845)</u>	<u>(38,655)</u>	<u>-</u>	<u>(409,500)</u>
Total accumulated depreciation	<u>(3,628,314)</u>	<u>(242,825)</u>	<u>-</u>	<u>(3,871,139)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 2,910,463</u>	<u>\$ (242,825)</u>	<u>\$ -</u>	<u>\$ 2,667,638</u>

NOTE 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2021, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>12/31/20</u>	<u>Accrued/</u> <u>increases</u>	<u>Retired/</u> <u>decreases</u>	<u>Balance</u> <u>12/31/21</u>	<u>Due within</u> <u>One Year</u>
Obligations under capital lease	\$ 297,108	\$ -	(96,927)	\$ 200,181	\$ 99,021
Length of service award program	<u>1,286,112</u>	<u>263,006</u>	<u>(115,952)</u>	<u>1,433,166</u>	<u>-</u>
Total	<u>\$1,583,220</u>	<u>\$ 263,006</u>	<u>\$ (212,879)</u>	<u>\$1,633,347</u>	<u>\$ 99,021</u>

Capital Leases Payable

On October 19, 2016 the District entered into a lease agreement with Municipal Asset Management to finance a Pierce Pumper Tanker truck.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 7: LONG-TERM OBLIGATIONS (continued)

The following schedule represents a summary of the capital lease commitments as of December 31, 2021:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	99,021	4,324	103,345
2023	<u>101,160</u>	<u>2,186</u>	<u>103,346</u>
Total	<u>\$ 200,181</u>	<u>\$ 6,510</u>	<u>\$ 206,691</u>

NOTE 8: 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 December 21, 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.

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

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year in the initial plan year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,742 for the year ended December 31, 2020, to be paid in the year ended December 31, 2021, per eligible volunteer, into the Plan. During the year ended December 31, 2021, the District contributed a total of \$41,808 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

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

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

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2021, payouts of \$114,570 were made to vested participants.

Forfeited Accounts - There were no forfeitures during the year ended December 31, 2021.

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

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

NOTE 9: FUNDING AND CONCENTRATIONS

The activities of the Fire District are primarily funded by the striking of the fire tax on the property owners within the Fire District, as provided for by the state statute. For the year ended December 31, 2021, the fire tax rate on the Fire District No. 2 was approximately \$.043 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$5,380.

The ability to levy property taxes, and the limits to which property taxes can be levied, are promulgated by State statute. As a result of this dependency, the Fire District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 11: FUND BALANCES

Restricted

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the District's fund balance are summarized as follows:

General Fund

Length of Service Awards Program (LOSAP) - Pursuant to N.J.S.A. 40A:14-187, all accumulated proceeds shall remain restricted for the volunteer members. As a result, there exists at December 31, 2021 a restricted fund balance in the amount of \$1,433,166 for future benefit payments of volunteers.

Capital Projects Fund

Capital Projects (Future Capital Outlays) - These funds are restricted for future capital expenditures to be made in future years. When the District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2021, the balance is \$1,330,477.

Assigned

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The District has appropriated and included as anticipated revenue for the year ending December 31, 2022, \$171,393 of general fund balance a December 31, 2021.

Other Purposes - The District has outstanding encumbrances of \$60,705 as of December 31, 2021.

Unassigned

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

General Fund - As of December 31, 2021, \$365,622 of general fund balance was unassigned.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 12: SUBSEQUENT EVENT

On March 1, 2022, the District approved to purchase a fire truck in the amount of \$1,666,334. The District will finance approximately \$650,000 of the purchase and utilize capital funds already accumulated in past budgets for the remaining amount.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
All Governmental Funds
For the year ended December 31, 2021

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 250	\$ 250	1,584	\$ 1,334
Other revenue	-	-	14,248	14,248
Total miscellaneous revenues	<u>250</u>	<u>250</u>	<u>15,832</u>	<u>15,582</u>
Operating grant revenues:				
Supplemental fire service act	<u>5,380</u>	<u>5,380</u>	<u>5,380</u>	<u>-</u>
Total operating grant revenue	<u>5,380</u>	<u>5,380</u>	<u>5,380</u>	<u>-</u>
Total revenues	<u>5,630</u>	<u>5,630</u>	<u>21,212</u>	<u>15,582</u>
Amount raised by taxation to support district budget				
	<u>1,036,000</u>	<u>1,036,000</u>	<u>1,036,000</u>	<u>-</u>
Total anticipated revenues	<u>1,041,630</u>	<u>1,041,630</u>	<u>1,057,212</u>	<u>15,582</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	149,480	153,825	119,557	34,268
Fringe benefits	82,877	82,877	61,515	21,362
Other expenditures:				
Shared services	80,000	80,000	80,000	-
Elections	8,000	12,000	11,759	241
Professional fees	27,500	34,200	22,510	11,690
Travel	1,800	1,800	-	1,800
Memberships/dues	540	540	528	12
Office supplies	3,600	3,600	2,300	1,300
Other outside services	8,500	8,500	7,659	841
Total administration	<u>362,297</u>	<u>377,342</u>	<u>305,828</u>	<u>71,514</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
All Governmental Funds
For the year ended December 31, 2021

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Fringe benefits	45,000	45,000	33,099	11,901
Other expenditures:				
Advertising	1,200	1,268	458	810
Insurance	36,000	36,000	33,896	2,104
Maintenance and repairs	80,000	92,000	61,463	30,537
Memberships/dues	900	900	668	232
Supplies	12,000	13,533	7,204	6,329
Training and education	9,000	9,000	6,669	2,331
Turnout Gear/uniforms	25,000	25,280	2,185	23,095
Utilities	45,000	45,000	37,614	7,386
Reimbursement - expenses and losses	9,500	9,500	7,125	2,375
Contracted services - Volunteer Fire Co.	46,700	46,700	46,700	-
Aid to First Aid Squad Assn.	12,000	12,000	12,000	-
Promotion	3,500	3,500	325	3,175
Supplemental fire services act	5,380	5,380	5,380	-
Facilities expense	75,000	79,175	53,699	25,476
Non-bondable expenses	40,000	44,686	33,705	10,981
Total cost of operations and maintenance	<u>446,180</u>	<u>468,922</u>	<u>342,190</u>	<u>126,732</u>
Length of service award program	42,432	84,240	41,808	42,432
Capital outlay	246,413	246,413	-	246,413
Debt service for capital appropriations:				
Capital leases	96,928	96,928	96,927	1
Interest on capital leases	6,418	6,418	6,418	-
Total debt service for capital appropriations	<u>103,346</u>	<u>103,346</u>	<u>103,345</u>	<u>1</u>
Total operating appropriations	<u>1,200,668</u>	<u>1,280,263</u>	<u>793,171</u>	<u>487,092</u>
Excess (deficiency) of revenues under (over) expenditures	(159,038)	(238,633)	264,041	502,674
Fund balance, January 1	<u>1,664,158</u>	<u>1,664,158</u>	<u>1,664,158</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,505,120</u>	<u>\$ 1,425,525</u>	<u>\$ 1,928,199</u>	<u>\$ 502,674</u>

RECAPITULATION OF FUND BALANCE

Restricted fund balance:	
Capital reserve	\$ 1,330,477
Assigned fund balance:	
Designated for subsequent year's expenditures	171,393
Other purposes	60,705
Unassigned fund balance	<u>365,622</u>
Total - budgetary basis	<u>1,928,197</u>
Reconciliation to governmental fund statements (GAAP):	
Length of service award program investment balance not recognized on the budgetary basis	<u>1,433,166</u>
Total fund balance per governmental funds (GAAP)	<u>\$ 3,361,363</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH 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)	\$ 1,057,212
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>221,198</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 1,278,410</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 793,171
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(41,808)
Participant withdrawals	114,570
Administrative fees	<u>1,383</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 867,316</u></u>

EXHIBIT I-1

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the year ended December 31, 2021

Description	Date of Lease	Term of Lease	Amount of Original Issue		Annual Maturity		Interest Rate Payable	Amount Outstanding		Retired	Amount Outstanding December 31, 2021
			Principal	Interest	Date	Amount		January 1, 2021	Issued		
Apparatus	10/19/2016	7 Years	\$ 664,752	\$ 58,663	10/19/2022	99,021	2.16%	\$ 297,108	\$ -	\$ 96,927	\$ 200,181
					10/19/2023	101,160					
							Total	\$ 297,108	\$ -	\$ 96,927	\$ 200,181

Board of Fire Commissioners
Fire District No. 2 of the Township of South Brunswick
County of Middlesex
Monmouth Junction, New Jersey

We have audited the basic financial statements of the Fire District No. 2 of the Township of South Brunswick, 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 RECOMMENDATIONS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, from January 1, 2021 through December 31, 2021, except by contract or agreement.

The District has a does not have a qualified purchasing agent on staff and therefore may award contracts up to \$17,500 from January 1, 2021 through December 31, 2021 without competitive bids.

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.

Contracts and Agreements Requiring Solicitation of Quotations

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

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 performed. The results of the test did not disclose any discrepancies.

Examination of Bills

A test check of paid bills was performed 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.

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

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 7, 2020 and adopted its operating budget on January 19, 2021.

Current Year Findings

There were no current year findings.

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

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 9, 2022
Lakewood, New Jersey