

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

Financial Statements and Supplementary Information

For the year ended December 31, 2022

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Financial Statements and Supplementary Information
For the year ended December 31, 2022
(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	13
District Wide Statement of Activities	14
Governmental Funds Balance Sheet	15
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	16
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	34
Notes to the Required Supplementary Information: Budget-to-GAAP Reconciliation	36
Other Information:	
Long-Term Debt Schedule of Obligations under Finances Purchases	37
General Comments and Recommendations	38

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, 2022, 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, 2022, 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, 2022 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

April 17, 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*

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, 2022, 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 April 17, 2023.

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 or significant deficiencies. 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

April 17, 2023
Lakewood, New Jersey

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

As management of the Fire District No. 2 of the Township of South 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, 2022. 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 21.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2022 by approximately \$4,500,300. During, 2021 the excess of assets and over liabilities was approximately \$4,394,800. This is an increase of approximately \$105,500.
- During 2022 the District operated at a surplus of approximately \$105,500. During 2021 the Fire District operated at a surplus of approximately \$118,600. This is a decrease of approximately \$13,100.
- The District's liabilities decreased approximately \$302,100 in 2022 and the assets increased by approximately \$407,600.

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

The 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 within the jurisdiction of Fire District No. 2 in the Township of South 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 four separate governmental funds; the General Fund, Special Revenue 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, Special Revenue Fund, 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

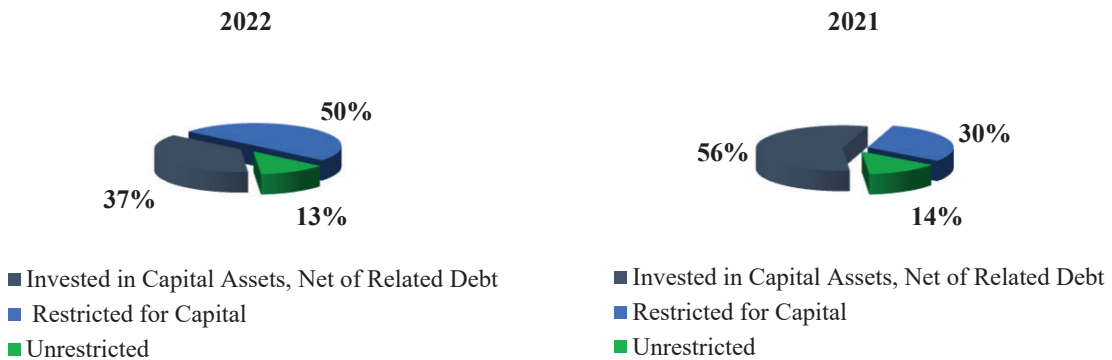
The District's net position is a useful indicator of the District's financial condition. At the end of 2022, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by approximately \$4,500,300. The largest portion of The District's net position 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. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
DISTRICT WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and noncurrent assets	\$ 4,088,428	\$ 3,437,954	\$ 650,474	18.92%
Capital assets, net	<u>2,424,811</u>	<u>2,667,638</u>	<u>(242,827)</u>	(9.10%)
Total assets	6,513,239	6,105,592	407,647	6.68%
Total liabilities	<u>2,012,977</u>	<u>1,710,839</u>	<u>(302,138)</u>	17.66%
Net position	<u>\$ 4,500,262</u>	<u>\$ 4,394,753</u>	<u>\$ 105,509</u>	2.40%

Analysis of net position

Invested in capital assets, net of related debt	\$ 1,673,651	\$ 2,467,457	\$ (793,806)	(32.17%)
Restricted for:				
Capital projects	2,257,996	1,330,477	927,519	69.71%
Unrestricted	<u>568,615</u>	<u>596,819</u>	<u>(28,204)</u>	(4.73%)
Total net position	<u>\$ 4,500,262</u>	<u>\$ 4,394,753</u>	<u>\$ 105,509</u>	2.40%



The net position of the District increased approximately \$105,500 as a result of a current year surplus. In 2022 the capital assets decreased by approximately \$242,800 after depreciation expense.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

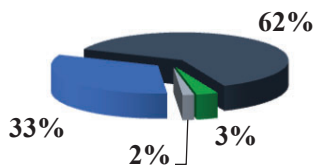
Governmental Activities

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. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
DISTRICT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022 AND 2021**

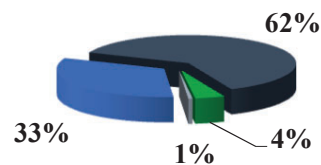
	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 318,678	\$ 305,828	\$ 12,850	4.20%
Cost of operations and maintenance	604,766	585,015	19,751	3.38%
Length of service awards program contribution	32,166	41,808	(9,642)	(23.06%)
Interest expense	16,991	5,982	11,009	184.04%
Total program expenses	<u>\$ 972,601</u>	<u>\$ 938,633</u>	<u>\$ 33,968</u>	3.62%

2022 Program Expenses



- Administrative
- Cost of Operations
- Length of Service Awards Program
- Interest Expense

2021 Program Expenses

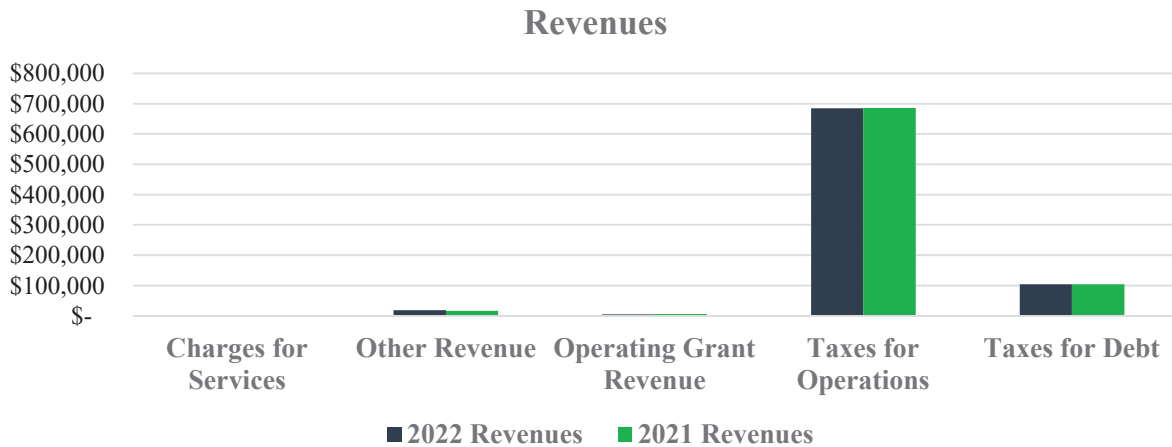


- Administrative
- Cost of Operations
- Length of Service Awards Program
- Interest Expense

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)
YEAR ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
General revenues:				
Property taxes levied for:				
General purposes	\$ 684,643	\$ 686,242	\$ (1,599)	(0.23%)
Capital purchases	268,012	246,413	21,599	8.77%
Debt service	103,345	103,345	-	0.00%
Total property taxes levied	<u>1,056,000</u>	<u>1,036,000</u>	<u>20,000</u>	1.93%
Other revenue	17,790	15,832	1,958	12.37%
Operating grant revenue	<u>4,320</u>	<u>5,380</u>	<u>(1,060)</u>	(19.70%)
Total general revenues	1,078,110	1,057,212	20,898	1.98%
Increase in net position	105,509	118,579	(13,070)	(11.02%)
Net position, January 1	<u>4,394,753</u>	<u>4,276,174</u>	<u>118,579</u>	2.77%
Net position, December 31	<u>\$ 4,500,262</u>	<u>\$ 4,394,753</u>	<u>\$ 105,509</u>	2.40%



Property tax revenue constituted 98% of the total governmental activities revenues received by the District in 2022 and 2021, respectively.

The Cost of Operations & Maintenance comprised 62% of the District's total expenses in 2022 and 2021, respectively. Administration expenses comprised 33% of the total expenses in 2022 and 2021, 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, 2022, the combined balance of the governmental cash funds of the District was approximately \$2,925,300. This balance is approximately \$920,500 higher than last year's combined governmental funds balance.

The combined fund balance of the governmental fund of the District was approximately \$4,003,400. Of that total, funds of approximately \$1,158,000 have been restricted for capital, \$1,163,200 have been restricted for investment in length of service awards program, \$1,282,000 have been assigned for subsequent year's expenditures, \$80,800 have assigned for other purposes (encumbrances) and \$319,400 is unassigned

The general fund is the main operating fund of the District. At the end of 2022, the total fund balance of the general fund was approximately \$1,745,400. Of this balance, approximately \$319,400 of it was unassigned.

At the end of 2022 the general fund balance of the District decreased by approximately (\$285,500). The primary reason for this decreased are as follows:

- The Board recognized expenses in excess of revenues of approximately (\$285,500).

At the end of 2022, the District had a capital projects fund balance of approximately \$2,258,000. This is an increase of \$927,500. The primary reason for this increase are as follows:

- The Board recognized revenues in excess of expenses of approximately \$927,500.

General Fund Budgetary Highlights

The 2022 Budget had a deficit in revenues and the District required the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

- The District recognized actual revenues in excess of budgeted revenues of approximately \$16,600 in 2022.
- Overall, the District's expenditures were approximately \$478,300 less than originally anticipated in the operating budget for 2022.

CAPITAL ASSETS

As of December 31, 2022 the District had invested in capital assets for government activities of approximately \$2,424,800 (net of accumulated depreciation). Capital assets consist of land, apparatus and vehicles, buildings and improvements and equipment.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>	<u>\$ Increase (Decrease)</u>
Capital Assets:			
Non-depreciable:			
Land	\$ 462,991	\$ 462,991	\$ -
Total non-depreciable assets	462,991	462,991	-
Depreciable:			
Apparatus and vehicles	3,018,121	3,018,121	-
Buildings and improvements	2,516,345	2,516,345	-
Equipment	541,318	541,318	-
Total depreciable assets	6,075,784	6,075,784	-
Total capital assets	6,538,775	6,538,775	-
Accumulated depreciation	(4,113,964)	(3,871,137)	(242,827)
Total capital assets, net of accumulated depreciation	<u>\$ 2,424,811</u>	<u>\$ 2,667,638</u>	<u>\$ (242,827)</u>

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

DEBT ADMINISTRATION

As of December 31, 2022 the District had obligations under finance purchases for governmental activities of approximately \$751,200 of which approximately \$187,600 is due within one year.

Additional information on the District's debt obligations can be found in Note 8 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District introduced their 2023 budget on December 19, 2022. The voters subsequently voted to approve the budget at the February election. The 2023 adopted budget reflects an increase in the tax levy of \$25,430, in which the Board does not anticipate an increase increase to the fire tax rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District's finances and to demonstrate the 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
District Wide Statement of Net Position
December 31, 2022

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash (Note 3)	\$ 2,275,251
Total current assets	<u>2,275,251</u>
Current restricted assets:	
Cash (Note 4)	650,000
Total current restricted assets	<u>650,000</u>
Noncurrent assets:	
Investment in length of service awards program:	
at fair value (Note 5)	1,014,582
at contract value (Note 6)	148,595
Total investment in length of service awards program:	<u>1,163,177</u>
Total noncurrent assets	<u>1,163,177</u>
Capital assets, net:	
Nondepreciable (Note 7)	462,991
Depreciable (Note 7)	1,961,820
Total capital assets	<u>2,424,811</u>
Total assets	<u><u>\$ 6,513,239</u></u>

LIABILITIES AND NET POSITION

Liabilities:	
Current liabilities:	
Accounts payable	\$ 80,752
Grant advance - SFSP	4,320
Accrued interest	13,568
Current portions of finance purchases payable (Note 8)	187,582
Total current liabilities	<u>286,222</u>
Noncurrent liabilities:	
Investment in length of service awards program payable (Note 9)	1,163,177
Finance purchase payable, net of current portions (Note 8)	563,578
Total noncurrent liabilities	<u>1,726,755</u>
Total liabilities	<u>2,012,977</u>
Net position:	
Net investment in capital assets	1,673,651
Restricted net position:	
Capital	2,257,996
Unrestricted	568,615
Total net position	<u>4,500,262</u>
Total liabilities and net position	<u><u>\$ 6,513,239</u></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
District Wide Statement of Activities
For the year ended December 31, 2022

	Expenses	Total Governmental Activities
Governmental activities:		
Operating appropriations:		
Administration	\$ 318,678	\$ 318,678
Costs of operations and maintenance	604,766	604,766
Length of service awards program	32,166	32,166
Interest expense	16,991	16,991
Total operating appropriations	\$ 972,601	972,601
General revenues:		
Miscellaneous revenue		17,790
Operating grant revenues		4,320
Amount raised by taxation		1,056,000
Total general revenues		1,078,110
Change in net position		105,509
Net position, January 1		4,394,753
Net position, December 31		\$ 4,500,262

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Balance Sheet
December 31, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Current assets:				
Cash	\$ 667,255	\$ 2,257,996	\$ -	\$ 2,925,251
Total current assets	<u>667,255</u>	<u>2,257,996</u>	<u>-</u>	<u>2,925,251</u>
Noncurrent assets:				
Investment in length of service awards program:				
at fair value	1,014,582	-	-	1,014,582
at contract value	148,595	-	-	148,595
Total investment in length of service awards program	<u>1,163,177</u>	<u>-</u>	<u>-</u>	<u>1,163,177</u>
Total noncurrent assets	<u>1,163,177</u>	<u>-</u>	<u>-</u>	<u>1,163,177</u>
Total assets	<u>\$ 1,830,432</u>	<u>\$ 2,257,996</u>	<u>\$ -</u>	<u>\$ 4,088,428</u>
Liabilities:				
Accounts payable	\$ 80,752	\$ -	\$ -	\$ 80,752
Grant advance - SFSP	4,320	-	-	4,320
Total liabilities	<u>85,072</u>	<u>-</u>	<u>-</u>	<u>85,072</u>
Fund balance:				
Restricted for:				
Capital	-	1,157,996	-	1,157,996
Investment in length of service awards program	1,163,177	-	-	1,163,177
Assigned for:				
Subsequent year's expenditures	181,993	1,100,000	-	1,281,993
Other purposes	80,823	-	-	80,823
Unassigned, reported in:				
General fund	<u>319,367</u>	<u>-</u>	<u>-</u>	<u>319,367</u>
Total fund balance	<u>1,745,360</u>	<u>2,257,996</u>	<u>-</u>	<u>4,003,356</u>
Total liabilities and fund balance	<u>\$ 1,830,432</u>	<u>\$ 2,257,996</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 not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,538,775 and the accumulated depreciation is \$4,113,964.	2,424,811
Accrued interest payable are not recorded in the governmental fund financial statements due to the fact that the payable is not due in the current period.	(13,568)
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(1,914,337)</u>
Net position of governmental activities	<u>\$ 4,500,262</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, 2022

	<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	\$ 3,579	\$ 9,507	\$ -	\$ 13,086
Other revenue	4,704	-	-	4,704
Total miscellaneous revenues	8,283	9,507	-	17,790
Operating grant revenues:				
Supplemental fire service act	4,320	-	-	4,320
Total operating grant revenue	4,320	-	-	4,320
Total revenues	12,603	9,507	-	22,110
Amount raised by taxation to support the district budget	684,643	268,012	103,345	1,056,000
Total anticipated revenues	697,246	277,519	103,345	1,078,110
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	131,447	-	-	131,447
Fringe benefits	64,786	-	-	64,786
Other expenditures:				
Shared Services	80,000	-	-	80,000
Professional fees	24,872	-	-	24,872
Other outside services	8,545	-	-	8,545
Elections	5,489	-	-	5,489
Office expenses	2,978	-	-	2,978
Memberships and dues	561	-	-	561
Total administration	318,678	-	-	318,678
Cost of operations and maintenance:				
Fringe benefits	37,486	-	-	37,486
Other expenditures:				
Facilities	59,351	-	-	59,351
Maintenance and repairs	62,930	-	-	62,930
Contracted services - Volunteer Fire Co.	47,600	-	-	47,600
Utilities	39,542	-	-	39,542
Other non-bondable assets	18,680	-	-	18,680
Insurance	35,655	-	-	35,655
Turnout gear/uniforms	18,798	-	-	18,798
Supplies expense	6,211	-	-	6,211
Aid to First Aid Squad Assn.	12,250	-	-	12,250
Reimbursements - expenses and losses	6,750	-	-	6,750
Training and education	9,359	-	-	9,359
Supplemental Fire Service Grant	4,320	-	-	4,320
Promotion	1,840	-	-	1,840
Advertising	607	-	-	607
Memberships and dues	560	-	-	560
Total cost of operations and maintenance	361,939	-	-	361,939
Length of service awards program:				
Administrative fees	900	-	-	900
Participant withdrawals	9,113	-	-	9,113
Depreciation in the value of investments	292,142	-	-	292,142
Total length of service awards program	302,155	-	-	302,155
Debt service for capital appropriations:				
Principal on payments on debt service	-	-	99,021	99,021
Interest on payments on debt service	-	-	4,324	4,324
Total debt service for capital appropriations	-	-	103,345	103,345
Total operating appropriations	982,772	-	103,345	1,086,117
Excess (deficiency) of revenues over (under) expenditures	(285,526)	277,519	-	(8,007)
Other financing sources (uses):				
Proceeds from finance purchases	-	650,000	-	650,000
Total other financing sources (uses)	-	650,000	-	650,000
Excess (efficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(285,526)	927,519	-	641,993
Fund balance, January 1	2,030,886	1,330,477	-	3,361,363
Fund balance, December 31	\$ 1,745,360	\$ 2,257,996	\$ -	\$ 4,003,356

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance in
to the District Wide Statement of Activities
December 31, 2022

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 641,993

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

Certain activity related to length of service awards program (LOSAP) is not reported in governmental funds, whereas such activity is a component of the investment in length of service awards program payable reported on the district wide statement of net position.

Length of service awards program contribution	(32,166)	
Administrative fees	900	
Participant withdrawals	9,113	
Depreciation in the value of investments	292,142	
		269,989

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.

Depreciation expense	(242,827)	
		(242,827)

Repayment of finance purchases payable 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.

99,021

Proceeds from finance purchases are recorded as an other financing source (use) in the governmental funds but the proceeds are as long-term liabilities in the district wide statement of net position and is not reported in the district wide statement of activities.

(650,000)

Accrual of interest on finance purchases payable is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the district wide statement of activities.

Prior year	901	
Current year	(13,568)	
		(12,667)

Changes in net position of governmental activities \$ 105,509

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

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

Fire District No. 2 of the Township of South Brunswick (the “District”) 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, 2022:

<u>Officials:</u>	<u>Term Expires</u>
Thomas Kazanski	2025
Charles Smith	2023
Charles Spahr	2024
Douglas Wolfe	2024
Thomas Young, Jr.	2025

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. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2022.

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. 2 OF THE TOWNSHIP OF SOUTH 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 firefighting 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 firefighting 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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Wide and Fund Financial Statements (continued)

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.

Fund Financial Statements

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.

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.

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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

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

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

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 \$80,823 of encumbrances as of December 31, 2022.

Cash and Cash Equivalents

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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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: *Investment Held at Fair Value* and Note 6: *Investment Held at Contract Value*, respectively.

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 firefighting 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 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:

<u>Description:</u>	<u>Useful Lives</u>
Buildings and improvements	40 Years
Apparatus and vehicles	10 – 20 Years
Equipment	10 – 15 Years

Inventory, Materials and Supplies

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Receivables and 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 – Governmental Funds

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.

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 aforementioned categories and negative fund balances in other governmental funds.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH 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

GASB has issued the following statements which will become effective as of December 31, 2021 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. The District adopted this statement in the current year. The implementation of this statement did not have a material impact on the District's financial statements and related disclosures.

Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2022 through the date of April 17, 2023, which is the date the financial statements were available to be issued.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 3: CASH

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2022, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 2,925,251
Total deposits	<u>\$ 2,925,251</u>
 Reconciliation to the Governmental Funds	
Governmental Funds	\$ 2,925,251
Total	<u>\$ 2,925,251</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, 2022, the District's bank balance of \$2,295,501 was exposed to custodial credit risk as follows:

Insured	\$ 500,000
Collateralized not in the District name (New Jersey Cash Management Fund)	239,166
Collateralized in the District's name under GUDPA	1,536,335
Uninsured	<u>650,000</u>
Total	<u>\$ 2,925,501</u>

NOTE 4: CASH HELD WITH TRUSTEE

Cash held with trustee consists of amounts held with financial intuitions that is legally restricted for the purchase of a fire apparatus, such funds are uninsured and uncollateralized. As of December 31, 2022, the District had \$650,000 in cash held with trustees.

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 and are collateralized by GUDPA.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

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. 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.

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.

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

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

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

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

Fair Value Measurement

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, 2022.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<i>Registered investment companies</i>	\$1,014,581	\$ -	\$ -	\$1,014,581
Total investments held at fair value	<u>\$1,014,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,014,581</u>

NOTE 6: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with Lincoln Financial (Lincoln) totaling \$148,595 as of December 31, 2022. 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*).

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

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, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets:				
Non-depreciable assets:				
Land	\$ 462,991	\$ -	\$ -	\$ 462,991
Total non-depreciable assets	462,991	-	-	462,991
Depreciable assets:				
Apparatus and vehicles	3,018,121	-	-	3,018,121
Building and improvements	2,516,345	-	-	2,516,345
Equipment	541,318	-	-	541,318
Total depreciable assets	6,075,784	-	-	6,075,784
Total capital assets	6,538,775	-	-	6,538,775
Less: accumulated depreciation:				
Apparatus and vehicles	(1,931,681)	(141,261)	-	(2,072,942)
Building and improvements	(1,529,957)	(62,910)	-	(1,952,867)
Equipment	(409,499)	(38,656)	-	(448,155)
Total accumulated depreciation	(3,871,137)	(242,827)	-	(4,113,964)
Total capital assets, net of accumulated depreciation	<u>\$ 2,667,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,424,811</u>

NOTE 8: LONG-TERM OBLIGATIONS

During the year ended December 31, 2022, the following changes occurred in long-term obligations:

	<u>Beginning Balance</u>	<u>Accrued/ Increase</u>	<u>Retired/ Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Obligations under finance purchase	\$ 200,181	\$ 650,000	\$ (99,021)	\$ 751,160	\$ 187,582
Length of service awards program	1,433,166	32,166	(302,155)	1,163,177	-
Total	<u>\$ 1,633,347</u>	<u>\$ 682,166</u>	<u>\$ 401,176</u>	<u>\$ 1,914,337</u>	<u>\$ 187,582</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 8: LONG-TERM OBLIGATIONS (continued)

Obligations under Finance Purchases

As of December 31, 2022, the District is purchasing two (2) fire apparatus with a total cost of \$751,160 under two (2) different finance purchase agreements. The finance purchase agreements are all for a term of seven (7) years with an interest rate of 2.16% for one (1) apparatus and an interest rate of 2.385% for one (1) apparatus. The following is a schedule of the remaining future minimum lease payments under the finance purchase, and the present value of the net minimum lease payments at December 31, 2022:

For the year ended December 31,	Principal	Interest	Total
2023	\$ 187,582	\$ 17,688	\$ 205,270
2024	88,483	13,441	101,924
2025	90,593	11,331	101,924
2026	92,754	9,170	101,924
2027	94,966	6,958	101,924
2028 - 2029	196,782	7,067	203,849
Total	<u>\$ 751,160</u>	<u>\$ 65,655</u>	<u>\$ 816,815</u>

Length of Service Awards Program

For details on the length of service awards program liability, refer to Note 9 *Length of Service Awards Program*. The District’s annual required contribution to the length of service awards program is budgeted and paid from the general fund on an annual basis.

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description

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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM (continued)

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 \$1,787 for the year ended December 31, 2021, to be paid in the year ended December 31, 2022, per eligible volunteer, into the Plan. During the year ended December 31, 2022, the District contributed a total of \$36,166 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 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, 2022, payouts of \$9,113 were made to vested participants.

Forfeited Accounts

There were no forfeitures during the year ended December 31, 2022.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Investments

The investments of the length of service awards program are recorded at fair value and contract value. The District has classified these investments as restricted in the financial statements.

Plan Information

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

NOTE 10: CONCENTRATIONS AND FUNDING

A significant source of revenue for the District comes from its ability to levy property taxes (see Note 2: *Fire District Taxes*). 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 District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

The activities of the District 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, 2022, the fire tax rate on the District 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 \$4,320.

NOTE 11: 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.

NOTE 12: 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:

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)

NOTE 12: FUND BALANCES (continued)

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, 2022 a restricted fund balance in the amount of \$1,163,177 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, 2022, the balance is \$1,157,996.

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, 2023, \$181,993 of general fund balance a December 31, 2022.

Other Purposes - The District has outstanding encumbrances of \$80,823 as of December 31, 2022.

Capital Projects Fund

For Subsequent Year's Expenditures – The District has appropriated and included as anticipated revenue for the year ending December 31, 2023, \$1,100,000 of capital projects fund balance at December 31, 2022.

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, \$319,366 of general fund balance was unassigned.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
For the year ended December 31, 2022

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 100	\$ 100	13,086	\$ 12,986
Other revenue	-	-	4,704	4,704
Total miscellaneous revenues	<u>100</u>	<u>100</u>	<u>17,790</u>	<u>17,690</u>
Operating grant revenues:				
Supplemental fire service act	5,380	5,380	4,320	(1,060)
Total operating grant revenue	<u>5,380</u>	<u>5,380</u>	<u>4,320</u>	<u>(1,060)</u>
Total revenues	<u>5,480</u>	<u>5,480</u>	<u>22,110</u>	<u>16,630</u>
Amount raised by taxation to support the district budget	<u>1,056,000</u>	<u>1,056,000</u>	<u>1,056,000</u>	<u>-</u>
Total anticipated revenues	<u>1,061,480</u>	<u>1,061,480</u>	<u>1,078,110</u>	<u>16,630</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	153,000	157,770	131,447	26,323
Fringe benefits	75,196	75,196	64,786	10,410
Other expenditures:				
Shared Services	80,000	80,000	80,000	-
Professional fees	30,200	38,020	24,872	13,148
Other outside services	9,000	9,000	8,545	455
Elections	8,700	8,700	5,489	3,211
Travel expenses	4,800	4,800	-	4,800
Office expenses	3,500	3,500	2,978	522
Memberships and dues	590	590	561	29
Total administration	<u>364,986</u>	<u>377,576</u>	<u>318,678</u>	<u>58,898</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
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2022

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Cost of operations and maintenance:				
Fringe benefits	42,000	42,000	37,486	4,514
Other expenditures:				
Facilities	82,000	84,800	59,351	25,449
Maintenance and repairs	80,000	81,540	62,930	18,610
Contracted services - Volunteer Fire Co.	47,600	47,600	47,600	-
Utilities	45,000	45,000	39,542	5,458
Other non-bondable assets	40,000	41,590	18,680	22,910
Insurance	37,000	37,000	35,655	1,345
Turnout gear/uniforms	25,000	36,005	18,798	17,207
Supplies expense	12,500	12,500	6,211	6,289
Aid to First Aid Squad Assn.	12,250	12,250	12,250	-
Reimbursements - expenses and losses	9,500	9,500	6,750	2,750
Training and education	9,000	9,650	9,359	291
Supplemental Fire Service Grant	5,380	5,380	4,320	1,060
Promotion	3,300	3,300	1,840	1,460
Advertising	1,300	1,300	607	693
Memberships and dues	900	900	560	340
Total cost of operations and maintenance	<u>452,730</u>	<u>470,315</u>	<u>361,939</u>	<u>108,376</u>
Length of service awards program	<u>43,800</u>	<u>75,966</u>	<u>32,166</u>	<u>43,800</u>
Capital appropriations	<u>268,012</u>	<u>268,012</u>	<u>-</u>	<u>268,012</u>
Debt service for capital appropriations:				
Principal on payments on debt service	99,021	99,021	99,021	-
Interest on payments on debt service	4,324	4,324	4,324	-
Total debt service for capital appropriations	<u>103,345</u>	<u>103,345</u>	<u>103,345</u>	<u>-</u>
Total operating appropriations	<u>1,232,873</u>	<u>1,295,214</u>	<u>816,128</u>	<u>479,086</u>
Excess (efficiency) of revenues over (under) expenditures	(171,393)	(233,734)	261,982	495,716
Other financing sources and uses:				
Proceeds from finance purchases	-	-	650,000	650,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>650,000</u>
Excess (efficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(171,393)	(233,734)	911,982	1,145,716
Fund balance, January 1	<u>1,928,197</u>	<u>1,928,197</u>	<u>1,928,197</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,756,804</u>	<u>\$ 1,694,463</u>	<u>\$ 2,840,179</u>	<u>\$ 1,145,716</u>
RECAPITULATION OF FUND BALANCE				
Restricted fund balance:				
Capital			\$ 1,157,996	
Assigned fund balance:				
Subsequent year's expenditures			1,281,993	
Other purposes			80,823	
Unassigned fund balance			<u>319,367</u>	
Total - budgetary basis			<u>2,840,179</u>	
Reconciliation to governmental fund statements (GAAP):				
Length of service awards program investment balance not recognized on the budgetary basis			<u>1,163,177</u>	
Total fund balance per governmental funds (GAAP)			<u>\$ 4,003,356</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
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2022

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) Anticipated Revenues From the Budgetary Comparison Schedule (C-1)	\$ 1,078,110
Difference from 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>-</u>
Total Revenues as Reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (B-2)	<u><u>\$ 1,078,110</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) Operating Appropriations From the Budgetary Comparison Schedule (C-1)	\$ 816,128
Difference from Budget to GAAP:	
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 contribution	(32,166)
Administrative fees	900
Participant withdrawals	9,113
Depreciation in the value of investments	<u>292,142</u>
Total Operating Appropriations as Reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (B-2)	<u><u>\$ 1,086,117</u></u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Long-Term Debt
Schedule of Obligations Under Finance Purchases
For the year ended December 31, 2022

Description	Date of Agreement	Term of Agreement	Amount of Original Issue		Annual Maturity Date	Annual Maturity Amount	Interest Payable	Interest Rate	Balance		
			Principal	Interest					December 31, 2021	December 31, 2022	
Apparatus	October 19, 2016	7 years	\$ 664,752	\$ 58,663	10/19/2023	\$ 101,160	2.160%	\$	\$ 99,021	\$ 101,160	
Apparatus	February 25, 2022	7 Years	650,000	63,471	2/25/2023	86,422	2.385%	-	-	-	650,000
					2/25/2024	88,483					
					2/25/2025	90,593					
					2/25/2026	92,754					
					2/25/2027	94,966					
2/25/2028	97,231										
					2/25/2029	99,551					
Total								\$	\$ 200,181	\$ 99,021	\$ 751,160

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, 2022. 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, except by contract or agreement.

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

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

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

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

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 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 6, 2021 and adopted its operating budget on January 18, 2022.

Current Year Findings

There were no current year findings.

Follow-Up of Prior Year's Findings

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

Acknowledgment

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

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 17, 2023
Lakewood, New Jersey