

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2

Audit Report

For the Years Ended December 31, 2021 and 2020

BART & BART
Certified Public Accountants

TABLE OF CONTENTS

	<u>EXHIBIT #</u>	<u>PAGE#</u>
Independent Auditor's Report		1
Auditor's Report on Internal Control Over Financial Reporting and Compliance Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards		2
Management's Discussion and Analysis		3-6
Schedule Of Proportionate Share of Net Pension Liability		7
<u>General Fund:</u>		
Comparative Statement of Net Position - December 31, 2021 and 2020	1	8
Statement of Activities and Changes in Net Position for the Year Ended December 31, 2021 with Comparative Actual Amounts for the Year Ended December 31, 2020	2	9
Statement of Expenditures Compared to Budget for the Year Ended December 31, 2021 with Comparative Actual Amounts for the Year Ended December 31, 2020	3	10
<u>Capital Fund:</u>		
Comparative Statement of Net Position - December 31, 2021 and 2020	4	11
Combining Statement of Amount to be Provided for Retirement of Debt	5	12
<u>General Fixed Assets Account Group:</u>		
Comparative Statement of Net Position - December 31, 2021 and 2020	6	13
Statement of Activities and Changes in Net Position	7	14
<u>Notes to Financial Statements</u>		15 - 23
<u>Uniform Fire Safety Act</u>		24
<u>Roster of Officials</u>		25

BART & BART *Certified Public Accountants*

104 Main Street, Woodbridge, NJ 07095

(732) 634 -5680 FAX (732) 602 -1059

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
East Brunswick Township Fire District #2
East Brunswick, NJ 08816

Report on the Financial Statements

We have audited the combined financial statements of The East Brunswick Township Fire District #2 , which comprise the statements of financial position as of December 31, 2021, and the related combined statements of activities, net position of the District's various funds for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The East Brunswick Township Fire District #2 at December 31, 2021, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 East Brunswick Township Fire District #2, and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The East Brunswick Township Fire District #2's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Board of Fire Commissioners
East Brunswick Township Fire District #2

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The East Brunswick Township Fire District #2'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The East Brunswick Township Fire District #2's ability to continue as a going concern.

We are required to communicate 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.

Board of Fire Commissioners
East Brunswick Township Fire District #2


Other Matters

Required Supplementary Information:

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 and 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated XXXX, 2022 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


Bart & Bart, CPA

Woodbridge NJ
September 8, 2022

BART & BART *Certified Public Accountants*

104 Main Street, Woodbridge, NJ 07095

(732) 634 -5680 FAX (732) 602 -1059

Report on Internal Control over Financial Reporting and on
Compliance and other matters based on an audit of Financial
Statement performed in accordance with Government Auditing Standards

Honorable Chairman and Members of the Board
East Brunswick Township Fire District #2
East Brunswick, NJ 08816

We have audited the basic financial statements of the East Brunswick Township Fire District #2 as of and for the year ended December 31, 2021, and have issued our report thereon dated September XX, 2022. 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.

Internal Control Over Financial Reporting

In Planning and performing our audit, we considered the East Brunswick Township Fire District #2's internal control over financial reporting ~~as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.~~ Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

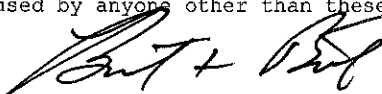
Deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Brunswick Township Fire District #2's financial statements are free of 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 statements 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.

This report is intended solely for the information and use of the East Brunswick Township Fire District #2's board members, management and New Jersey State Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.



Bart & Bart
Certified Public Accountants

Woodbridge NJ
September 8, 2022

MANAGEMENT'S
DISCUSSION AND ANALYSIS

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

As management of East Brunswick Township Fire District #2, we offer readers of the East Brunswick Township Fire District #2 financial statements this narrative overview and analysis of the financial activities of the East Brunswick Township Fire District #2 for the year ended December 31, 2021. The intent of this narrative is to look at the East Brunswick Township Fire District #2's overall financial performance in terms easily understood by the lay person.

Financial Highlights

- The assets of the District exceeded its liability at December 31, 2021, by approximately \$8.1 million combined.
- During 2021, on a budgetary basis, the East Brunswick Township Fire District #2 operated at a surplus of approximately \$354,710. The surplus in 2020 was approximately \$293,185.

Using This Annual Report

This annual report consists of series of financial statements. East Brunswick Township Fire District #2's basic financial statements are comprised of three components: district-wide financial statements, statements of fiduciary funds and notes to the basic financial statements.

Reporting on the District as a Whole

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

The Statement of Net Assets presents information on all the assets and liabilities of East Brunswick Township Fire District #2. The difference between the two is reported as the District's net assets. Significant increases or decreases in the District's net assets can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's net assets increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

Reporting on the District as a Whole (Continued)

The district-wide financial statements report on the financial data by function. East Brunswick Township Fire District #2 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. East Brunswick Township Fire District #2 provides firefighter services to the citizens of the township of East Brunswick.

As required by N.J.S.A. 40A:14:78-3, East Brunswick Township Fire District #2 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 of 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

East Brunswick Township Fire District #2's net assets are a useful indicator of the District's financial condition. At the end of 2021, the District's assets exceeded the liabilities by \$8.7 million. The largest portion of East Brunswick Township Fire District #2's net assets (87%) 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. East Brunswick Township Fire District #2's investment in capital assets is reported net of related debt and accumulated depreciation. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Assets

East Brunswick Township Fire District #2
Net Assets
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,607,592	\$ 1,337,797
Capital Assets	4,371,569	4,710,140
General Fixed Assets	<u>6,197,186</u>	<u>6,441,575</u>
 Total assets	 \$12,176,347	 \$12,489,512
Other liabilities	<u>(3,999,317)</u>	<u>(4,023,120)</u>
 Net assets	 <u>\$ 8,177,030</u>	 <u>\$ 8,466,392</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

Governmental Activities

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

	<u>2021</u>	<u>2020</u>
Expenses		
Program expenses		
Administrative expenses	\$ 197,355	\$ 251,771
Cost of operations & maintenance	633,433	584,713
Capital appropriations	<u>436,738</u>	<u>399,827</u>
Total program expenses	\$1,267,526	\$1,236,311
General Revenues		
Property taxes levied for		
General purposes	\$1,609,430	\$1,507,025
Interest earned on investments	<u>259</u>	<u>4,589</u>
Total general revenues	<u>\$1,609,689</u>	<u>\$1,511,614</u>

Property tax revenue constituted 84% of the total governmental activities revenues received by East Brunswick Township Fire District #2 in 2021. In 2020 the property tax revenue constituted 85% of total revenues.

Financial Analysis of the Government Funds

East Brunswick Township Fire District #2 uses fund accounting to document compliance with finance-related legal requirements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

Governmental Funds

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 spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2021, the combined balance of the governmental cash funds of the East Brunswick Township Fire District #2 was approximately \$2,369,748. This balance is \$295,147 higher than last year's combined governmental funds balance.

Long-Term Obligations

East Brunswick Township Fire District #2 issued \$4.1 million in Long-Term Bonds through the Township of East Brunswick to finance the construction of a new firehouse. In 2021, the Board paid \$98,738 in bond interest. The District also has an interlocal service agreement with the Township of East Brunswick. The District will repay the Township \$800,000. As of December 31, 2021, the amount due in conjunction with the agreement was \$711,112.

Economic Factors and Next Year's Budget

In 2021, East Brunswick Township Fire District #2 was able to cover all its appropriations through the fire tax levy and other revenues.

Property tax revenue constituted 85% of the total governmental activities revenues received by East Brunswick Township Fire District #2 in 2021. In 2020 the property tax revenue constituted 85% of total revenues.

Financial Analysis of the Government Funds

East Brunswick Township Fire District #2 uses fund accounting to document compliance with finance-related legal requirements.

Schedule 1

East Brunswick Township Fire District # 2SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (NPL)
DETERMINED AS OF JUNE 30, 2021, PERS MEASUREMENT DATE

Fiscal Year	District's Proportion	District's Proportionate Share	District's Covered Payroll	District's Proportionate Share of NPL as a % of Covered Payroll
2021	0.001	\$216,019	\$202,237	106%
2020	0.001	301,253	191,755	157%
2019	0.001	338,972	133,364	253%
2018	0.001	367,809	133,684	275%
2017	0.001	432,729	129,943	333%
2016	0.002	756,943	118,888	636%
2015	0.002	519,415	150,571	344%

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Required Contribution	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2021	\$38,515	\$21,364	\$17,151	\$202,237	11%
2020	15,497	20,209	(4,712)	\$191,755	11%
2019	14,900	19,787	(4,887)	133,684	11%
2018	19,001	18,581	470	133,684	13%
2017	29,748	17,221	12,527	129,943	13%
2016	70,448	15,829	54,619	118,888	13%
2015	48,224	19,893	28,331	150,571	13%

SCHEDULE OF CHANGES IN TOTAL NET PENSION LIABILITY

Fiscal Year	Beginning Balance Total Net Pension	Difference between Expected & Actual	Change of Assumptions	Difference between Expected & Actual Earnings	Change in Proportion & Actual Less Proportionate Share	Other Changes and Reclassifications	Ending Balance Total Net Pension Liability
2021	\$ 301,253	\$ 1,861	\$ (78,811)	\$ (56,929)	\$ (5,393)	\$ 54,128	\$ 216,109
2020	338,972	4,420	(116,315)	10,297	(9,624)	73,553	301,253
2019	367,809	6,084	33,848	-	18,839	(87,608)	338,972
2018	432,729	7,014	(56,697)	(3,450)	(14,758)	2,971	367,809
2017	756,943	10,189	300	2,947	(18,203)	(319,447)	432,729
2016	519,415	14,114	157,212	16,989	4,764	44,449	756,943
2015	519,415	12,391	55,781	8,351	64,063	(140,586)	519,415

The pension schedules are intended to show information for 10 years. The State of New Jersey has issued five years of pension information to the District. Additional years information will be displayed as it becomes available.

East Brunswick Township Fire District #2General FundComparative Statement of Net Position

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 1,593,291	\$ 1,298,465
Accounts Receivable	<u>6,430</u>	<u>6,430</u>
Total Assets	1,599,721	1,304,895
Deferred Outflow of Resources		
Deferred Amount of Net Pension Liability	<u>7,871</u>	<u>32,902</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 1,607,592</u>	<u>\$1,337,797</u>
 <u>LIABILITIES, RESERVES AND NET POSITION</u>		
Liabilities and Reserves:		
Accounts Payable	43,953	43,853
Net Pension Liability	<u>216,109</u>	<u>301,253</u>
Total Liabilities and Reserves	260,062	345,106
Deferred Inflow of Resources	<u>144,143</u>	<u>144,174</u>
Total Liabilities, Reserves and Deferred Inflows of Resources	<u>\$ 404,205</u>	<u>\$ 489,120</u>
Net Position:		
Reserved for Uniform Fire Safety Act	\$ 525,069	\$ 546,789
Unreserved:		
Designated for Subsequent Year's Expenditures	<u>678,318</u>	<u>301,888</u>
Total Net Position	<u>\$ 1,203,387</u>	<u>\$ 848,677</u>
Total Liabilities and Net Position	<u>\$ 1,607,592</u>	<u>\$1,337,797</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2General FundStatement of Activities and Changes in Net PositionFor the Year Ended December 31, 2021With Comparative Actual Amounts for Period Ended December 31, 2020

		<u>2021</u>		<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues and Other <u>Financing Sources:</u>				
Miscellaneous Revenues:				
Uniform Fire Safety Act				
- Annual Registration Fees	\$ 444,200	\$ 269,148	\$ (175,052)	\$ 243,587
- Interest	-	366	366	408
Supplemental Fire Services Act	10,000	17,241	7,241	8,648
Earnings on Investments and Deposits	4,500	259	(4,241)	4,589
Sale of Equipment	-	17,026	17,026	-
Total Miscellaneous Revenues	<u>458,700</u>	<u>304,040</u>	<u>(154,660)</u>	<u>257,232</u>
Fund Balance Utilized	1,237,650	-	(1,237,650)	-
District Taxes	<u>1,609,430</u>	<u>1,609,430</u>	<u>-</u>	<u>1,507,025</u>
Total Revenues and Other Financing Sources	<u>\$ 3,305,780</u>	<u>\$1,913,470</u>	<u>\$ (1,392,310)</u>	<u>\$1,764,257</u>
<u>Expenditures:</u>				
Current Operating Appropriations	\$ 1,527,160	\$ 830,788	\$ 696,372	\$ 836,484
Appropriations Offset with Revenue:				
Uniform Fire Safety Act	444,200	291,234	152,966	234,761
Capital Appropriations	<u>1,334,420</u>	<u>436,738</u>	<u>897,682</u>	<u>399,827</u>
Total Expenditures	<u>3,305,780</u>	<u>1,558,760</u>	<u>1,747,020</u>	<u>1,471,072</u>
Excess of Revenue over Expenditures	-	354,710	354,710	293,185
Less: Fund Balance Utilized	<u>(1,237,650)</u>	<u>-</u>	<u>1,237,650</u>	<u>-</u>
Net Position, Beginning of Year	<u>848,677</u>	<u>848,677</u>	<u>-</u>	<u>555,492</u>
Net Transfer to other Restricted Funds	-	-	-	-
Net Position, End of Year	<u>\$ (388,973)</u>	<u>\$1,203,387</u>	<u>\$ 1,592,360</u>	<u>\$ 848,677</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2General FundStatement of Expenditures Compared to BudgetFor the Year Ended December 31, 2021With Comparative Actual Amounts for Period Ended December 31, 2020

		<u>2021</u>		<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Salaries and Wages	\$ 185,130	\$ 187,362	(2,232)	\$ 166,113
Fringe Benefits	150,000	(29,988)	178,988	47,877
Election	25,000	4,925	20,075	4,980
Office Expenses	18,000	5,303	12,697	5,474
Professional Services	36,000	25,601	10,399	27,327
Advertising	4,000	3,152	848	-
Total Administration	<u>\$ 418,130</u>	<u>\$ 197,355</u>	<u>\$ 220,775</u>	<u>\$ 251,771</u>
COST OF OPERATIONS:				
Insurance	\$ 160,000	\$ 104,848	\$ 55,152	\$ 136,619
Maintenance and Repairs	222,450	209,971	12,479	138,085
Training and Education	19,600	1,941	17,659	2,382
Volunteer Fire Company	134,600	134,600	-	129,600
Utilities	65,000	51,637	13,363	45,647
Fuel	18,000	14,183	3,817	7,584
Membership	3,000	1,953	1,047	2,927
Supplemental Fire Services Act	10,000	-	10,000	-
Length of Service Awards Program	50,000	29,640	20,360	35,904
Contingent	10,000	-	10,000	4,858
Computer Expense	-	6,554	(6,554)	-
Wages	305,000	46,624	258,376	47,162
Other assets-non bondable	111,380	31,482	79,898	33,945
Total Cost of Operations	<u>1,109,030</u>	<u>633,433</u>	<u>475,597</u>	<u>584,713</u>
Total Current Operating Exps.	<u>1,527,160</u>	<u>830,788</u>	<u>696,372</u>	<u>836,484</u>
CAPITAL APPROPRIATIONS:				
Capital Acquisitions	890,992	-	890,992	-
Debt Service:				
Bond Principal	338,888	338,000	888	288,888
Bond Interest	104,540	98,738	5,802	110,939
Total Capital Appropriations	<u>1,334,420</u>	<u>436,738</u>	<u>897,682</u>	<u>399,827</u>
Total Appropriations	<u>\$ 2,861,580</u>	<u>\$ 1,267,526</u>	<u>\$1,525,551</u>	<u>\$1,236,311</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2Statement of Net PositionCapital FundsDecember 31, 2021ASSETS

Cash and Cash Equivalents	\$ 776,457
Amount to be provided for Payment of Debt	<u>3,595,112</u>
Total Assets	<u>\$ 4,371,569</u>

LIABILITIES AND NET POSITION

Liabilities:	\$ <u> -</u>
Total Liabilities	\$ <u> -</u>
Fund Balances:	
Designated for Subsequent Year's Expenditures	\$ 3,595,112
Undesignated - Reserve for Future Capital Outlay	<u> 776,457</u>
Total Net Position	<u>\$ 4,371,569</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,371,569</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2
Statement of Activities and Changes in Net Position
Capital Fund
December 31, 2021

REVENUES	
Interest	317
Total Revenues	\$ 317
EXPENDITURES	
Principal payments	\$ 338,888
Total Expenditures	\$ 338,888
Excess (Deficiency) of Revenues Over Expenditures	(338,571)
Net Position, Beginning of Year	4,710,140
Net Position, End of Year	\$4,371,569

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2
General Fixed Assets Account Group
Comparative Statement of Net Position
December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Land	\$ 768,533	\$ 768,533
Building	6,377,311	6,377,311
Equipment	341,390	341,390
Vehicle	<u>3,454,661</u>	<u>3,454,661</u>
Total Assets	<u>10,941,895</u>	<u>10,941,895</u>
Total Accumulated Depreciation	<u>4,744,709</u>	<u>4,500,320</u>
Total Net Assets	<u>\$6,197,186</u>	<u>6,641,575</u>
 <u>NET POSITION</u>		
Investment in General Fixed Assets	<u>\$6,197,186</u>	<u>\$ 6,641,575</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2General Fixed Assets Account GroupStatement of Activities and Changes in Net PositionFor the Year Ended December 31, 2021Revenues and Other Financing Sources:

Fixed Assets - net	\$ -
Total Revenues and Other Financing Sources	\$ -

Expenditures:

Depreciation	\$ 244,389
Total Expenditures	<u>244,389</u>
Excess of Revenue Over Expenditures	(244,389)
Net Position, Beginning of Year	<u>6,441,575</u>
Net Position, End of Year	<u>\$ 6,197,186</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Brunswick Township Fire District #2 (the "District") conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect public funds.

Separate financial statements are provided for the following separate funds:

General Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds, except as otherwise noted.

Capital Fund - Resources and expenditures for the acquisition of general capital facilities, other than those acquired through the general fund, including the status of bonds and notes authorized for said purposes.

General Fixed Assets Account Group - Shows the District's investment in buildings and equipment, net of accumulated depreciation.

The following is a summary of the significant policies:

Basis of Accounting - The modified accrual basis of accounting is followed. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable, except that unearned interest and principal on general obligation debt are accounted for as expenditures in the year becoming due and payable.

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

BUDGETS/BUDGETARY CONTROL - Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. The governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2021 and 2020

Note 1.c SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets except for land are depreciated. At December 31, 2021, capital assets and the useful lives used for determination of annual depreciation were as follows:

	<u>Balance</u> <u>December 31, 2019</u>	<u>Current Year's</u> <u>Activity</u>		<u>Balance</u> <u>December 31, 2020</u>
		<u>Increase</u>	<u>Decrease</u>	
Depreciable:				
Land	\$ 768,533	\$ -	\$ -	\$ 768,533
Buildings & Improvs.	6,377,311	-	-	6,377,311
Machinery & Equipment	<u>3,749,123</u>	<u>46,928</u>	<u>-</u>	<u>3,796,051</u>
	\$10,894,967	\$ 46,928	\$ -	\$10,941,895
Less: Accumulated				
Depreciation	<u>4,253,936</u>	<u>246,394</u>	<u>-</u>	<u>4,500,320</u>
	<u>\$ 6,641,031</u>	<u>\$ (199,456)</u>	<u>\$ -</u>	<u>\$ 6,441,575</u>

	<u>Balance</u> <u>December 31, 2020</u>	<u>Current Year's</u> <u>Activity</u>		<u>Balance</u> <u>December 31, 2021</u>
		<u>Increase</u>	<u>Decrease</u>	
Depreciable:				
Land	\$ 768,533	\$ -	\$ -	\$ 768,533
Buildings & Improvs.	6,377,311	-	-	6,377,311
Machinery & Equipment	<u>3,796,051</u>	<u>-</u>	<u>-</u>	<u>3,796,051</u>
	\$10,941,895	\$ -	\$ -	\$10,941,895
Less: Accumulated				
Depreciation	<u>4,500,320</u>	<u>244,389</u>	<u>-</u>	<u>4,744,709</u>
	<u>\$ 6,441,575</u>	<u>\$ 244,389</u>	<u>\$ -</u>	<u>\$ 6,197,186</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$244,389 and \$246,394. respectively.

Capital Fund - The accounting for expenditures for property, plant and equipment financed by debt authorized or from restricted grant funds is contained in the general capital fund, as is the related debt issued and outstanding. The acquisition and construction cost of such assets, when completed, is reflected in the General Fixed Assets group of accounts.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2021 and 2020

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the arbitrage maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, fire districts are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The amount on deposit of the District's cash and cash equivalents at December 31, 2021, is as follows:

Checking Account	\$1,593,291
Money Market	<u>776,457</u>
	\$2,369,748

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2021 and 2020

Note 3. GENERAL LONG-TERM DEBT

On January 1, 2019, the District entered an interlocal service agreement with the Township of East Brunswick. In Exchange for the township borrowing funds for the purchase of apparatus, the District will repay the Township \$800,000. The Interlocal agreement is a short-term note which is rolled over by the Township of East Brunswick at variable interest rates. Once the note is permanently financed by the Township, the District will have a permanent amortization schedule. In the interim, the District is responsible for the following annual payments:

<u>Period Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 88,888	\$ 17,840	\$ 106,728
2021	88,888	TBD	88,888
2022	88,888	TBD	88,888
2023	88,888	TBD	88,888
2024	88,888	TBD	88,888
2025	88,888	TBD	88,888
2026-2028	<u>266,672</u>	<u>TBD</u>	<u>266,672</u>
	<u>\$ 800,000</u>	<u>\$ 17,940</u>	<u>\$ 827,940</u>

During 2013, the Township issued long-term bonds on behalf of the district in the amount of \$4,412,000. The purpose of these bonds was to refinance the balance of the 2009 and 2005 interlocal agreements over a twenty-year period. As a result, the district is now responsible for the following annual payments:

<u>Period Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 150,000	\$ 111,500	\$ 261,500
2015	150,000	108,500	258,500
2016	150,000	105,500	255,500
2017-2021	990,000	474,300	1,464,300
2022-2026	1,250,000	347,100	1,597,100
2027-2031	1,250,000	164,550	1,414,550
2032-2033	<u>472,000</u>	<u>13,750</u>	<u>485,750</u>
	<u>\$4,412,000</u>	<u>\$1,325,200</u>	<u>\$5,737,200</u>

East Brunswick Township Fire District #2
Notes to Financial Statements
For the Year Ended December 31, 2021 and 2020

Note 4. PENSION

Employees participate in the Public Employees' Retirement System of New Jersey (PERS), a contributory defined benefit public employee retirement system that was established by State statute. The System is sponsored and administered by the Division of Pensions and Benefits. The System is considered a cost-sharing, multiple-employer plan. Covered employees are required by statute to contribute a certain percentage of their salary to the Plan. The Division of Pensions bills the District annually for its required contribution.

The following is the total of the District's portion of the PERS net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and the pension expense and expenditures for the fiscal years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Net Pension Liabilities	\$ 216,109	\$ 301,253
Deferred Outflow of Resources	7,871	32,902
Deferred Inflow of Resources	144,143	144,174
Pension Expense	(38,781)	20,209
Contributions Made	38,515	15,497

PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and their beneficiaries. As a condition of employment, all District full-time employees are required to be members of PERS.

PERS members can apply for a service retirement of age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5) regardless of the amount of service credit earned.

Plan Description and Benefits

Tier 1, 2 or 3: Annual Benefit = Years of Service Credit, divided by 55, times Final Average Salary (average salary of the last three years of credited service or the highest three fiscal years of credited service, whichever provides the higher benefit). Tier 4 or Tier 5: Annual Benefit = Years of Service Credit, divided by 60, times Final Average Salary (average salary of the last five years of credited service or the highest five fiscal years of credited service, whichever provides the higher benefit). Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007, and who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

East Brunswick Township Fire District #2
Notes to Financial Statements
For the Year Ended December 31, 2021 and 2020

Note 4. PENSION (continued)

Contributions

Employee's contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a seven-year period. Covered District employees are required by PERS to contribute 7.50% of their salaries. State statute requires the District to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. The amount of the District's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries.

Assumptions:

<u>PERS</u>	<u>2021</u>	<u>2020</u>
Inflation Rate	2.75%	2.75%
Through 2026	2.00% - 6.00% Based on Age	2.00 - 6.00% Based on Age
Thereafter	2.00% - 6.00% Based on Age	3.00 - 7.00% Based on Age
Investment Rate of Return	7.00%	7.00%

The discount rate used to measure the total pension liability was 7.00% and 7.00% as of June 30, 2021 and 2020 respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

East Brunswick Township Fire District #2
Notes to Financial Statements
For the Year Ended December 31, 2021 and 2020

Note 4. PENSION (continued)

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 7.00% as of December 31, 2021 and 2020, respectively, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

Sensitivity of the District's Proportionate Share of the PERS Local Share Net Pension Liability to Changes in the Discount Rate

	<u>At 1% decrease (6.00%)</u>	<u>At current discount rate (7.00%)</u>	<u>At 1% increase (8.00%)</u>
2020	\$ <u>358,491</u>	\$ <u>301,253</u>	\$ <u>253,052</u>
	<u>At 1% decrease (6.00 %)</u>	<u>At current discount rate (7.00 %)</u>	<u>At 1% increase (8.00 %)</u>
2021	\$ <u>263,652</u>	\$ <u>216,109</u>	\$ <u>175,048</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflow of resources, deferred inflow of resources and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2021 and 2020 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2021 and 2020, respectively.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collected deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentage presented in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2020 and 2019. The District's proportionate share of the collective net pension liability as of December 31, 2021 and 2020 was 0.0018% in both years.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2021 and 2020

Note 4. PENSION (continued)

At December 31, 2021, the amount recognized as the District's proportionate share of the PERS net pension liability was \$301,253. At December 31, 2021 and 2020, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 5,485	\$ 1,065
Change of Assumption	9,773	126,138
Net Difference Between Projected and Actual Investment Earnings	10,297	-
Net Change in Proportion	<u>7,347</u>	<u>16,971</u>
Total	<u>\$ 32,902</u>	<u>\$ 144,174</u>

	<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 3,408	\$ 1,547
Change of Assumption	1,125	76,936
Net Difference Between Projected and Actual Investment Earnings	-	56,929
Net Change in Proportion	<u>3,338</u>	<u>8,731</u>
Total	<u>\$ 7,871</u>	<u>\$ 144,143</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to PERS pension will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Total</u>
2022	\$ (56,716)
2023	(38,796)
2024	(24,297)
2025	(16,516)
2026	<u>53</u>
	<u>\$ (136,272)</u>

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2021 and 2020

Note 5. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The Fire District offers its employees a Length of Service Awards Program in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

East Brunswick Township Fire District #2
Statement of Activities and Changes in Net Position
Uniform Fire Safety Act
For the Year Ended December 31, 2021

REVENUES:

Annual Registration Fees	\$ 269,148
Interest	<u>366</u>
Total Revenues	<u>\$ 269,514</u>

EXPENDITURES:

Salary and Wages	160,125
Fringe Benefits	18,814
Other Expenses	<u>112,295</u>
Total Expenditures	<u>\$ 291,234</u>
Excess Revenues Over Expenditures	\$ (21,720)
Net Position, Beginning of Year	<u>546,789</u>
Net Position, End of Year	<u>\$ 525,069</u>

East Brunswick Township Fire District #2

Roster of Officials

December 31, 2021

Board of Fire Commissioners

Wayne T. Lyons, Sr. - Chairman

Paul A. Colon - Vice Chairman

Dennis A. DeGraw - Treasurer

Richard D. Jewett - Clerk

William Grande - Assistant Clerk/Treasurer

Other Officials

Richard M. Braslow, Board Attorney