

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

Financial Statements and Supplementary Schedules

**For the year ended December 31, 2019
(With Independent Auditor's Report thereon)**

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
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For the year ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of South Brunswick
County of Middlesex
Kendall Park, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of South Brunswick (the "District"), County of Middlesex, State of New Jersey, as of and for the fiscal year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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. 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 April, 30, 2020, on our consideration of Fire District No. 1 of the Township of South Brunswick'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* in considering Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 30, 2020
Toms River, 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. 1 of the Township of South Brunswick
County of Middlesex
Kendall Park, 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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 1 of the Township of South Brunswick as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated April 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness Fire District No. 1 of the Township of South Brunswick's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of South Brunswick's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of 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 did not disclosed 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 the Division of Local Government Services, Department of Community Affairs State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 1 of the Township of South Brunswick's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 1 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 30, 2020
Toms River, New Jersey

**SOUTH BRUNSWICK FIRE DISTRICT NO. 1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

As management of the Fire District No. 1 of the Township of South Brunswick (the "District") we offer 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, 2019. 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 12. Notes to the financial statements will provide the reader with additional useful information and they begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2019 by approximately \$2,927,100. During 2018 the excess of assets over liabilities was approximately \$2,854,700. This is an increase of approximately \$72,400.
- During 2019 the Fire District operated at a surplus of approximately \$72,400. During 2018 the District operated at a surplus of approximately \$45,000. This is an increase of approximately \$27,400.
- The District's liabilities increased approximately \$234,300 in 2019 and their assets increased by approximately \$306,700.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 1 of the Township of South Brunswick's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 7. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

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

The district-wide financial statements report on the financial data by function. Fire District No. 1 of the Township of South Brunswick has one basic function: activities that are supported by property taxes. Fire District No. 1 of the Township of South Brunswick provides firefighting services to the citizens of Kendall Park, 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 two separate government funds, the General Fund and Capital Projects 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 and Capital Projects Fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by *N.J.S.A. 40A:14:78-3*, 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

Fire District No. 1 of the Township of South Brunswick's net position is a useful indicator of the District's financial condition. At the end of 2019, the District's assets exceeded its liabilities by approximately \$2,927,100. The largest portion of Fire District No. 1 of the Township of South Brunswick's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 1 of the Township of South Brunswick's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Position

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK NET POSITION DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and other assets	\$ 2,099,337	\$ 1,585,338	513,999	32.42%
Capital assets	<u>1,870,695</u>	<u>2,078,017</u>	(207,322)	(9.98%)
Total assets	3,970,032	3,663,355	306,677	8.37%
Total liabilities	<u>(1,042,921)</u>	<u>(808,640)</u>	234,281	28.97%
Net position	<u><u>\$ 2,927,111</u></u>	<u><u>\$ 2,854,715</u></u>	72,396	2.54%

Analysis of net position

Invested in capital assets, net of related debt	\$ 1,870,695	\$ 2,078,017	(207,322)	(9.98%)
Restricted for:				
Capital projects	543,201	315,201	228,000	72.33%
Unrestricted	<u>513,215</u>	<u>461,497</u>	51,718	11.21%
Total net position	<u><u>\$ 2,927,111</u></u>	<u><u>\$ 2,854,715</u></u>	72,396	2.54%

2019 Net Position



- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Unrestricted

2018 Net Position



- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Unrestricted

The net position of the District increased approximately \$72,400 as a result of the current year surplus. In 2019 the capital assets decreased by approximately (\$207,300) after depreciation expense.

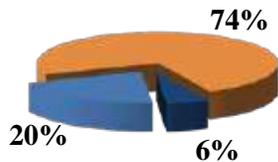
Governmental Activities

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

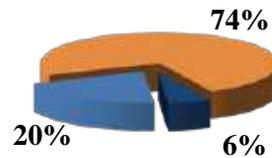
	<u>2019</u>	<u>2018</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 160,497	\$ 159,439	1,058	0.66%
Cost of operations and maintenace	579,270	587,080	(7,810)	(1.33%)
Length of service awards program contribution	44,642	46,143	(1,501)	(3.25%)
Total program expenses	<u>\$ 784,409</u>	<u>\$ 792,662</u>	(8,253)	(1.04%)

2019 Program Expenses



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

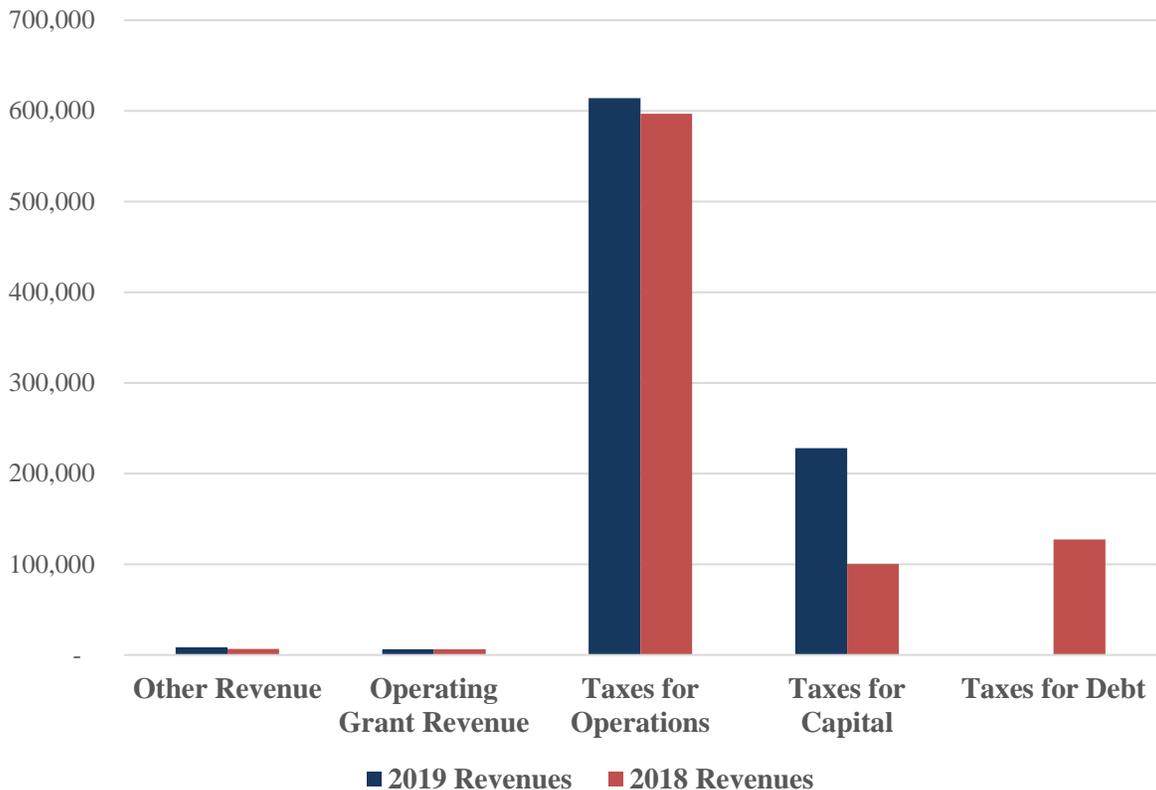
2018 Program Expenses



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

	<u>2019</u>	<u>2018</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
General revenues:				
Property taxes levied for:				
General purposes	\$ 613,939	\$ 596,934	17,005	2.85%
Capital purchases	228,000	100,500	127,500	126.87%
Debt service	<u>-</u>	<u>127,230</u>	(127,230)	(100.00%)
Total property taxes levied	841,939	824,664	17,275	2.09%
Other revenue	8,568	6,746	1,822	27.01%
Operating grant revenue	<u>6,298</u>	<u>6,298</u>	-	0.00%
Total general revenues	<u>856,805</u>	<u>837,708</u>	19,097	2.28%
Increase in net position	72,396	45,046	27,350	60.72%
Net position, January 1	<u>2,854,715</u>	<u>2,809,669</u>	45,046	1.60%
Net position, December 31	<u>\$ 2,927,111</u>	<u>\$ 2,854,715</u>	72,396	2.54%

Revenues



Property tax revenue constituted 98% of the total governmental activities revenues received by the District in 2019 and 2018.

The Cost of Operations & Maintenance comprised 74% of the District's total expenses in 2019 and 2018. Administration expenses comprised 20% of the total expenses in 2019 and 2018.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 1 of the Township of South Brunswick 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, 2019, the combined balance of the governmental cash funds of the District was approximately \$1,045,600. This balance is approximately \$314,200 higher than last year's combined governmental funds balance.

The combined balance of the governmental funds of the District was approximately \$2,019,400. Unassigned fund balance amounted to approximately \$467,900 of that total.

The general fund is the main operating fund of the District. At the end of 2019, the total fund balance of the general fund was approximately \$1,476,200. Of this balance, approximately \$467,900 was unassigned.

During 2019, the general fund balance of the District increased by approximately \$251,400. The primary reason for this increase is as follows:

- The Board had revenues in excess of expenses of approximately \$251,400.

At the end of 2019, the District had a capital projects fund balance of approximately \$543,200. This is an increase of \$228,000. The primary reason for this increase is as follows:

- The Board had revenues in excess of expenses of approximately \$228,000.

General Fund Budgetary Highlights

The 2019 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 had total actual revenues in excess of budgeted revenues of approximately \$8,600 in 2019.
- Overall, the District's expenditures were approximately \$301,900 less than originally anticipated in the operating budget for 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019 the District had invested in capital assets for government activities of approximately \$1,870,700 (net of accumulated depreciation). Capital assets consist of building and building improvements, equipment and vehicles and apparatus.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION DECEMBER 31, 2019)

	<u>2019</u>	<u>2018</u>	<u>\$ Increase (Decrease)</u>
Depreciable:			
Building and building improvements	1,583,315	1,583,315	-
Equipment	623,588	623,588	-
Vehicles and apparatus	<u>2,785,753</u>	<u>2,785,753</u>	-
Total depreciable assets	<u>4,992,656</u>	<u>4,992,656</u>	-
Accumulated depreciation	<u>(3,121,961)</u>	<u>(2,914,639)</u>	(207,322)
Total capital assets, net of accumulated depreciation	<u>\$ 1,870,695</u>	<u>\$ 2,078,017</u>	(207,322)

Additional information on the District's capital assets can be found in Note 6 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District adopted their 2020 budget on December 9, 2019. The voters subsequently voted to approve the budget at the February election. The 2020 adopted budget reflected an increase in the tax levy of \$10,181, in which the Board anticipates no significant change to the fire tax rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 1 of the Township of South Brunswick's finances. Questions concerning any information provided in this report or requested for additional information, should be addressed to, Fire District No. 1 of the Township of South Brunswick, 125 New Road, Kendall Park, New Jersey.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
District Wide Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
	<u>2019</u>
ASSETS	
Current assets:	
Cash (Note 3)	\$ 1,045,614
Prepaid expenses	45,356
Total current assets	<u>1,090,970</u>
Non-current assets:	
Investment in length of service awards program at fair value (Note 4)	886,906
at contract value (Note 5)	121,461
Total investment in length of service awards program	<u>1,008,367</u>
Capital assets, net:	
Depreciable (Note 6)	<u>1,870,695</u>
Total capital assets, net	<u>1,870,695</u>
Total non-current assets	<u>2,879,062</u>
Total assets	<u>\$ 3,970,032</u>
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 165
Accrued expenses	34,389
Total current liabilities	<u>34,554</u>
Non-current liabilities	
Length of service awards program payable (Note 7)	<u>1,008,367</u>
Total non-current liabilities	<u>1,008,367</u>
Total liabilities	<u>1,042,921</u>
Net position:	
Net investment in capital assets	1,870,695
Restricted for:	
Capital Projects	543,201
Unrestricted	513,215
Total net position	<u>2,927,111</u>
Total liabilities and net position	<u>\$ 3,970,032</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
District Wide Statement of Activities
For the year ended December 31, 2019

	<u>Expenses</u>	<u>Governmental Activities Totals</u>
Government activities:		
Operation appropriations:		
Administration	\$ 160,497	\$ 160,497
Costs of operations and maintenance	579,270	579,270
Length of service awards program contribution	44,642	44,642
Total governmental activities	<u>\$ 784,409</u>	<u>784,409</u>
General revenues:		
Miscellaneous revenue		8,568
Operating grant revenues		6,298
Amount raised by taxation		<u>841,939</u>
Total general revenues		<u>856,805</u>
Change in net position		72,396
Net position, January 1		<u>2,854,715</u>
Net position, December 31		<u>\$ 2,927,111</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Balance Sheet
December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2019</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 663,764	\$ 381,850	\$ 1,045,614
Other receivables	-	161,351	161,351
Total current assets	<u>663,764</u>	<u>543,201</u>	<u>1,206,965</u>
Non-current assets:			
Investment in length of service awards program			
at fair value	886,906	-	886,906
at contract value	121,461	-	121,461
Total investment in length of service awards program	<u>1,008,367</u>	<u>-</u>	<u>1,008,367</u>
Total assets	<u>\$ 1,672,131</u>	<u>\$ 543,201</u>	<u>\$ 2,215,332</u>
Liabilities, equity and other credits:			
Accounts payable	\$ 165	\$ -	\$ 165
Accrued expenses	34,389	-	34,389
Other payables	161,351	-	161,351
Total liabilities, equity and other credits	<u>195,905</u>	<u>-</u>	<u>195,905</u>
Fund balances			
Restricted for:			
Capital projects	-	543,201	543,201
Length of service awards program	1,008,367	-	1,008,367
Unassigned	467,859	-	467,859
Total fund balance	<u>1,476,226</u>	<u>543,201</u>	<u>2,019,427</u>
Total liabilities and fund balance	<u>\$ 1,672,131</u>	<u>\$ 543,201</u>	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:			
Prepaid expenses are reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed.			45,356
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,992,656 and the accumulated depreciation is \$3,121,961.			1,870,695
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.			<u>(1,008,367)</u>
Net position of governmental activities			<u>\$ 2,927,111</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2019</u>
Revenues:			
Miscellaneous revenues:			
Investment income - unrestricted cash and investments	\$ 8,373	\$ -	\$ 8,373
Investment income - length of service awards program	194,244	-	194,244
Other revenue	195	-	195
Total miscellaneous revenues	<u>202,812</u>	<u>-</u>	<u>202,812</u>
Operating grant revenues:			
Supplemental fire service act	6,298	-	6,298
Total operating grant revenue	<u>6,298</u>	<u>-</u>	<u>6,298</u>
Total revenues	<u>209,110</u>	<u>-</u>	<u>209,110</u>
Amount raised by taxation to support district budget	<u>613,939</u>	<u>228,000</u>	<u>841,939</u>
Total anticipated revenues	<u>823,049</u>	<u>228,000</u>	<u>1,051,049</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	131,673	-	131,673
Fringe benefits	1,638	-	1,638
Other expenditures:			
Professional fees	15,210	-	15,210
Elections	6,143	-	6,143
Medical services	3,080	-	3,080
Dues and subscriptions	540	-	540
Office supplies	1,577	-	1,577
Regulation compliance	-	-	-
Advertising	636	-	636
Total administration	<u>160,497</u>	<u>-</u>	<u>160,497</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
For the year ended December 31, 2019

	General Fund	Capital Projects Fund		Totals December 31, 2019
Operating appropriations:				
Cost of operations and maintenance:				
Fire protection services	131,500	-		131,500
Fire marshal services	30,000	-		30,000
Insurance	73,715	-		73,715
Incentive program	13,024	-		13,024
Sub station	24,443	-		24,443
Communication costs	10,229	-		10,229
Fire prevention program	3,880	-		3,880
Travel	9,721	-		9,721
Training and education	9,108	-		9,108
Firefighter fitness	240	-		240
Equipment maintenance and repairs	46,331	-		46,331
Firefighting supplies	3,559	-		3,559
Support services - EMS	5,000	-		5,000
Bank service charges	747	-		747
Ladder/hose testing	1,580	-		1,580
Public relations	740	-		740
Uniforms	2,606	-		2,606
Maintenance agreements	1,680	-		1,680
Other non-bondable assets	3,871	-		3,871
Total cost of operations and maintenance	371,974	-		371,974
Length of service awards program				
Administrative fees	1,000	-		1,000
Participant withdrawals	38,159	-		38,159
Total length of service awards program	39,159	-		39,159
Total operating appropriations	571,630	-		571,630
Total governmental expenditures	571,630	-		571,630
Excess of revenues over expenditures	251,419	228,000		479,419
Fund balance, January 1	1,224,807	315,201		1,540,008
Fund balance, December 31	\$ 1,476,226	\$ 543,201		\$ 2,019,427

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
December 31, 2019

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	479,419
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

	Prior year	(45,330)		
	Current year	45,356		26

Length of service awards program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

	Length of service awards program expense	(44,642)		
	Appreciation of investments	(194,244)		
	Administrative fees	1,000		
	Participant withdrawals	38,159		\$ (199,727)

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

	Depreciation expense	(207,322)		
				(207,322)

Changes in net position of governmental activities	\$	72,396
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The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of South Brunswick (the "District") is a political subdivision of the Township of South Brunswick, State of New Jersey. A board of five commissioners oversees all of the operations of the District. The length of each commissioner's term is three years with the annual election held the third Saturday of February.

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

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

- the organization is legally separate (can sue or be sued in their own name);
- the District 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.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2019:

<u>Officials:</u>	<u>Term Expires</u> <u>March</u>
Sarah Berezansky	2021
Richard Josephson	2022
Thomas J. Luterzo, Jr.	2022
Kris Olson	2021
William Orchard	2023

C. Accounting Records

The official accounting records of Fire District No. 1 of the Township of South Brunswick are maintained in the office of the District.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The District did not have a component unit as of and for the year ended December 31, 2019.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 district-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). 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 (Note 2 N) while grants are recognized when grantor eligibility requirements are met.

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts.

An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

Governmental Funds:

General Fund

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

Capital Projects Fund

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

C. District Wide and Fund Financial Statements

District Wide Financial Statements

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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

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

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

Fund Financial Statements

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

D. Basis of Accounting

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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

In its accounting and financial reporting, the District follows the pronouncements of the GASB and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

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

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

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.

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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Encumbrances

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The District did not have any encumbrances as of December 31, 2019.

G. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity.

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

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

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

H. Prepaid Expenses

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Debt Limitation

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

J. Capital Assets

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000.

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

Building and building improvements	5 to 40 Years
Equipment	5 to 15 Years
Vehicles and Apparatus	5 to 20 Years

K. Inventory, Materials and Supplies

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

L. Interfund Receivable/Payable

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

M. Revenues and Expenditures

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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.

O. 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 Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

P. 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Net Position (continued)

- 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.

Q. Use of Estimates

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

R. Impact of Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements □

The following GASB Statements became effective for the fiscal year ended December 31, 2019:

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Implementation of this statement did not have a significant impact on the District's financial statements.

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements

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

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 31, 2019. Management has not yet determined the potential impact on the District's financial statements.

S. Unrealized Gains and Losses

GASB has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2019, unrealized gains and losses for the District were not considered to be material to the financial statements taken as a whole, and accordingly, have not been reflected in the financial statements.

T. 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 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 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 of Commissioners determines the valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See Note 4 and Note 5 for discussion of fair value and contract value measurements, respectively.

U. Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2019 through the date of April 30, 2020, which is the date the financial statements were available to be issued. See Note 13 for additional information.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 3: CASH AND CASH EQUIVALENTS

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2019, and reported at fair value are as follows:

	<u>Carrying Value</u>
Deposits	
Demand deposits	<u>\$ 1,045,614</u>
Total deposits	<u><u>\$ 1,045,614</u></u>
 Reconciliation to Governmental Fund Statements:	
Governmental Funds	<u>\$ 1,045,614</u>
Total	<u><u>\$ 1,045,614</u></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, 2019 the District's bank balance of \$1,056,035 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized not in the District's name (New Jersey Cash Management Fund)	381,850
Collateralized in the District's name under GUDPA	<u>424,185</u>
Total	<u><u>\$ 1,056,035</u></u>

NOTE 4: INVESTMENTS HELD AT FAIR VALUE

A. 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.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 4: INVESTMENTS HELD AT FAIR VALUE (continued)

C. Investment Credit Risk

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

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

D. Fair Value Measurement

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

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

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 4: INVESTMENTS HELD AT FAIR VALUE (continued)

D. Fair Value Measurement (continued)

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

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

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

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

The following table sets forth by level, within the value hierarchy, the District's investments at fair value at December 31, 2019:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Registered investment companies	\$ 886,906	\$ -	\$ -	\$ 886,906
Total investments at fair value	<u>\$ 886,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 886,906</u>

NOTE 5: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with Lincoln Financial (Lincoln) totaling \$121,461 as of December 31, 2019. 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 5: INVESTMENTS HELD AT CONTRACT VALUE (continued)

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).

NOTE 6: 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, the District may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

Capital assets consisted of the following at December 31, 2019:

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19
Governmental Activities:				
Building and building improvements	\$ 1,583,315	\$ -	\$ -	\$ 1,583,315
Equipment	623,588	-	-	623,588
Vehicles and apparatus	2,785,753	-	-	2,785,753
Total	4,992,656	-	-	4,992,656
Accumulated Depreciation:				
Building and building improvements	(692,910)	(39,958)	-	(732,868)
Equipment	(618,288)	(1,537)	-	(619,825)
Vehicles and apparatus	(1,603,441)	(165,827)	-	(1,769,268)
Total accumulated depreciation	(2,914,639)	(207,322)	-	(3,121,961)
Total capital assets net of accumulated depreciation	\$ 2,078,017	\$ (207,322)	\$ -	\$ 1,870,695

NOTE 7: LONG TERM OBLIGATIONS

During the year ended December 31, 2019 the following changes occurred in long-term obligations:

	Balance 12/31/18	Increases/ (Decreases)	Balance 12/31/19	Due within One Year
Length of service awards program payable	\$ 808,640	\$ 199,727	\$ 1,008,367	\$ -
Total	\$ 808,640	\$ 199,727	\$ 1,008,367	\$ -

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM

The District's length of service awards program ("LOSAP"), which is reported in the District's general fund, was created by a resolution adopted on November 9, 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 Plan at the general election held on February 20, 1999, and the first year of eligibility for entrance into the LOSAP Plan by qualified volunteers was calendar year 1999. The LOSAP Plan provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

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

Contributions

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

The District elected to contribute up to \$1,717 for the year ended December 31, 2019, per eligible volunteer, into the LOSAP Plan. During the year ended December 31, 2019, the District contributed a total of \$44,642 to the plan. Participants direct the investment of the contributions into various investment options offered by the LOSAP Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the LOSAP Plan. The types of investment options, and the administering of such investments, rests solely with the LOSAP plan administrator.

Participant Accounts

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Vesting

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

Payments of Benefits

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the LOSAP Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local Plan Administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2019, payouts of \$38,159 were made to vested participants.

Forfeited Accounts

There were no forfeitures during the year ended December 31, 2019.

Investments

The investments of LOSAP reported on the governmental funds balance sheet are recorded at fair value and contract value. (See Note 2).

Plan Information

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

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 10: FUNDING

The activities of the Board of Commissioners are primarily funded by striking a fire tax rate on property owners of the District, as provided for by the state statute. For the year ended December 31, 2019, the fire tax rate on the District was \$.084 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 \$6,298.

NOTE 11: INTERFUND RECEIVABLE/PAYABLE

The purpose of the interfunds is for short-term borrowing. As of December 31, 2019, the following interfund balances remained on the balance sheet:

Fund	Interfund receivable	Interfund payable
General Fund	\$ -	\$ 161,351
Capital Projects Fund	161,351	-
Total	<u>\$ 161,351</u>	<u>\$ 161,351</u>

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

As previously mentioned, these amounts are eliminated in the governmental columns of the statement of net position.

NOTE 12: FUND BALANCE

General Fund

Of the \$1,476,226 General Fund balance at December 31, 2019, \$1,008,367 has been restricted for length of service awards program, \$467,859 is unassigned.

Capital Projects Fund

Of the \$543,201 Capital Projects Fund balance at December 31, 2019, \$543,201 has been restricted for capital projects.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Financial Statements (continued)

For the year ended December 31, 2019

NOTE 13: SUBSEQUENT EVENTS

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus is reported to have spread to over 120 countries, and the list is expected to continue to grow. The coronavirus outbreak is still evolving and its effects remain unknown. The District is unable to predict how changing global economic conditions such as the COVID-19 coronavirus will affect the District's operations.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
For the year ended December 31, 2019

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous revenues:				
Investment income	\$ -	\$ -	\$ 8,373	\$ 8,373
Other revenue	-	-	195	195
Total miscellaneous revenues	<u>-</u>	<u>-</u>	<u>8,568</u>	<u>8,568</u>
Operating grant revenues:				
Supplemental fire service act	6,300	6,300	6,298	(2)
Total operating grant revenue	<u>6,300</u>	<u>6,300</u>	<u>6,298</u>	<u>(2)</u>
Total revenues	<u>6,300</u>	<u>6,300</u>	<u>14,866</u>	<u>8,566</u>
Amount raised by taxation to support district budget	<u>841,939</u>	<u>841,939</u>	<u>841,939</u>	<u>-</u>
Total anticipated revenues	<u>848,239</u>	<u>848,239</u>	<u>856,805</u>	<u>8,566</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	145,000	145,000	131,673	13,327
Fringe benefits	2,200	2,200	1,638	562
Other expenditures:				
Professional fees	15,500	15,500	15,210	290
Elections	500	500	6,143	(5,643)
Medical services	5,500	5,500	3,080	2,420
Dues and subscriptions	1,000	1,000	540	460
Office supplies	2,000	2,000	1,577	423
Regulation compliance	500	500	-	500
Advertising	2,000	2,000	636	1,364
Total administration	<u>174,200</u>	<u>174,200</u>	<u>160,497</u>	<u>13,703</u>
Cost of operations and maintenance:				
Other expenditures:				
Fire protection services	131,500	131,500	131,500	-
Fire marshal services	30,000	30,000	30,000	-
Insurance	74,500	74,500	73,715	785
Incentive program	19,200	19,200	13,024	6,176
Sub station	29,000	29,000	24,443	4,557
Communication costs	11,000	11,000	10,229	771
Fire prevention program	5,000	5,000	3,880	1,120
Travel	10,000	10,000	9,721	279
Training and education	8,000	8,000	9,108	(1,108)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2019

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Cost of operations and maintenance (continued):				
Other expenditures (continued):				
Firefighter fitness	4,000	4,000	240	3,760
Equipment maintenance and repairs	42,500	42,500	46,331	(3,831)
Firefighting supplies	3,000	3,000	3,559	(559)
Support services - EMS	5,000	5,000	5,000	-
Bank service charges	2,000	2,000	747	1,253
Ladder/hose testing	5,500	5,500	1,580	3,920
Public relations	2,000	2,000	740	1,260
Uniforms	650	650	2,606	(1,956)
Maintenance agreements	2,500	2,500	1,680	820
Other non-bondable assets	42,500	42,500	3,871	38,629
Total cost of operations and maintenance	427,850	427,850	371,974	55,876
Length of service awards program	49,000	49,000	44,642	4,358
Capital appropriations	228,000	228,000	-	228,000
Total operating appropriations	879,050	879,050	577,113	301,937
Total governmental expenditures	879,050	879,050	577,113	301,937
Excess (deficiency) of revenues over (under) expenditures	(30,811)	(30,811)	279,692	310,503
Fund balance, January 1	731,368	731,368	731,368	-
Fund balance, December 31	\$ 700,557	\$ 700,557	\$ 1,011,060	\$ 310,503
RECAPITULATION OF FUND BALANCE:				
Fund balances:				
Restricted fund balance:				
Capital			543,201	
Assigned fund balance:				
Unassigned fund balance			467,859	
Total fund balances - budgetary basis			1,011,060	
Reconciliation to Governmental Activities (GAAP) fund balance:				
Length of service awards program investment balance not recognized on the budgetary basis			1,008,367	
Total fund balance per Governmental Activities (GAAP)			\$ 2,019,427	

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2019

	Total Governmental Funds
	<hr/>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 856,805
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Appreciation of investments	<hr/> 194,244
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<hr/> <hr/> \$ 1,051,049
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 577,113
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 Plan.	
Length of service awards program expense	(44,642)
Administrative fees	1,000
Participant withdrawals	<hr/> 38,159
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<hr/> <hr/> \$ 571,630

Board of Fire Commissioners
Fire District No. 1 of the Township of South Brunswick
County of Middlesex
Kendall Park, New Jersey

We have audited the basic financial statements of the Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey for the year ended December 31, 2019. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the General Comments and Recommendations for the year then ended.

GENERAL COMMENTS

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

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

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

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures 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.

Capital Assets

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

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.

Examination of Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the District employees and we ascertained that the accumulated withholdings were disbursed to the proper agencies.

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 10, 2018 and adopted its operating budget on January 14, 2019.

Current Year Findings

There were no current year findings.

Follow-up on Prior Years' Findings

There were no prior year findings.

Acknowledgment

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

Should you have any questions, please contact us.

HOLMAN FRENIA ALLISON, P. C.
Certified Public Accountants

April 30, 2020
Toms River, New Jersey