

**FIRE DISTRICT NO. 4
OF THE TOWNSHIP OF OLD BRIDGE**

Financial Statements and Supplementary Information

For the year ended December 31, 2020

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Table of Contents
For the year ended December 31, 2020
(With Independent Auditor's Report thereon)

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Management's Discussion and Analysis	6
District Wide Statement of Net Position	13
District Wide Statement of Activities	14
Governmental Funds Balance Sheet	15
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	16
Reconciliation of the Government Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the District Wide Statement of Activities	17
Notes to Financial Statements	18
Required Supplementary Information, Part I:	
Budgetary Comparison Schedule	46
Notes to the required supplementary information Budget-to-GAAP Reconciliation	47
Required Supplementary Information, Part II:	
Schedule of the District's Proportionate Share of the Net Pension Liability – PFRS	48
Schedule of District Contributions – PFRS	49
Schedule of the District's Proportionate Share of the Net Other Post-employment Benefits Liability	50
Notes to the Required Supplementary Information	51
Supplementary Information:	
Long-Term Debt Schedule of Obligations under Capital Leases	52
General Comments and Recommendations	53



INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 4 of the Township of Old Bridge
County of Middlesex
Old Bridge Township, 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. 4 of the Township of Old Bridge (hereafter referred to as the District), County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 auditors' 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 entity'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 entity'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 the Fire District No. 4 of the Township of Old Bridge, as of December 31, 2020, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the fiscal year ended December 31, 2020, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74*. Our opinion is not modified with respect to this matter.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis as required by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying long-term debt schedule of obligations under capital leases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the accompanying long-term debt schedule of obligations under capital leases is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 15, 2022
Lakewood, New Jersey



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

Board of Fire Commissioners
Fire District No. 4 of the Township of Old Bridge
County of Middlesex
Old Bridge Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fire District No. 4 of the Township of Old Bridge (hereafter referred to as the District), County of Middlesex, State of New Jersey as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated March 15, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 15, 2022
Lakewood, New Jersey

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

As management of the Fire District No. 4 of the Township of Old Bridge (hereafter referred to as the District) offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended, December 31, 2020. The intent of this narrative is to look at the District's overall financial performance in terms easily understood by the layperson. Please read this in conjunction with the District's financial statements which begin on page 13. Notes to the financial statements will provide the reader with additional useful information and they begin on page 18.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at December 31, 2020 by approximately \$807,600. During 2019 the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources was approximately \$591,800. This is an increase of approximately \$215,800.
- During 2020 the District operated at a surplus of approximately \$264,300. During 2019 the Fire District operated at a surplus of approximately \$251,300. This is an increase of approximately \$13,000.
- The District's liabilities and deferred inflows of resources increased approximately \$595,700 in 2020 and their assets and deferred outflows of resources increased by approximately \$811,500.
- As described in Note 17 to the financial statements, *Prior Period Adjustment/Restatement of Net Position*, the District has adopted the provisions of GASB Statement to No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74*: , for the year ended December 31, 2020. The adoption of this principle resulted in a restatement of the District's opening net position as of January 1, 2020 in the amount of \$48,473, as indicated in Note 17 to the financial statements. Prior year balances reflected in the MD&A have been updated, for comparison purposes, to reflect the change where indicated.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The District's basic financial statements are comprised of three components: district wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

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

The district wide statement of net position presents information on all the assets and liabilities of the District. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The district wide statement of activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district wide financial statements report on the financial data by function. The District has one basic function: activities that are supported by property taxes. The District provides firefighting services to the citizens of Old Bridge, New Jersey.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the District uses fund accounting to document compliance with finance-related legal matters. the District has one type of fund, which is the governmental fund.

Governmental Funds

The District's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

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

The relationship (or differences) between governmental activities (reported in the district wide statement of net position and the district wide statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by *N.J.S.A. 40A:14:78-3*, the District adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

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

DISTRICT WIDE FINANCIAL ANALYSIS

The District's net position is a useful indicator of the District's financial condition. At the end of 2020, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$807,600. The largest portion of The District's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. The District's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

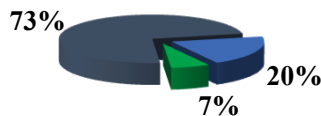
**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
DISTRICT WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and other assets	\$ 1,144,093	\$ 849,291	\$ 294,802	34.71%
Capital assets	1,098,938	582,225	516,713	88.75%
Total assets and deferred outflows of resources	2,243,031	1,431,516	811,515	56.69%
Total liabilities and deferred inflows of resources	(1,435,444)	(839,749)	595,695	(70.94%)
Net position	<u>\$ 807,587</u>	<u>\$ 591,767</u>	<u>\$ 215,820</u>	36.47%

Analysis of net position

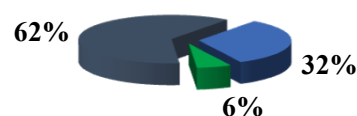
Invested in capital assets, net of related debt	\$ 589,417	\$ 415,159	\$ 174,258	41.97%
Restricted for:				
Capital projects	163,591	217,481	(53,890)	(24.78%)
Unrestricted	54,579	(40,873)	95,452	233.53%
Total net position	<u>\$ 807,587</u>	<u>\$ 591,767</u>	<u>\$ 215,820</u>	36.47%

2020 Net Position



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

2019 Net Position



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

The net position of the District increased approximately \$215,800 as a result of a prior period restatement of net position and the current year surplus. In 2020 the capital assets increased by approximately \$516,700 after depreciation expense.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

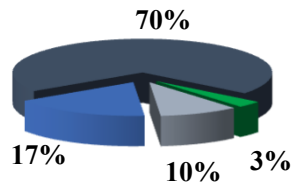
Governmental Activities

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
DISTRICT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020 AND 2019**

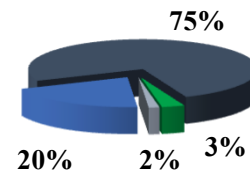
	<u>2020</u>	<u>2019</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 59,805	\$ 68,628	\$ (8,823)	(12.86%)
Cost of operations and maintenace	244,558	258,531	(13,973)	(5.40%)
Length of service awards program contribution	11,000	11,000	-	0.00%
Interest expense	34,621	5,200	29,421	565.79%
Total program expenses	<u>\$ 349,984</u>	<u>\$ 343,359</u>	<u>\$ 6,625</u>	1.93%

2020 Program Expenses



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

2019 Program Expenses



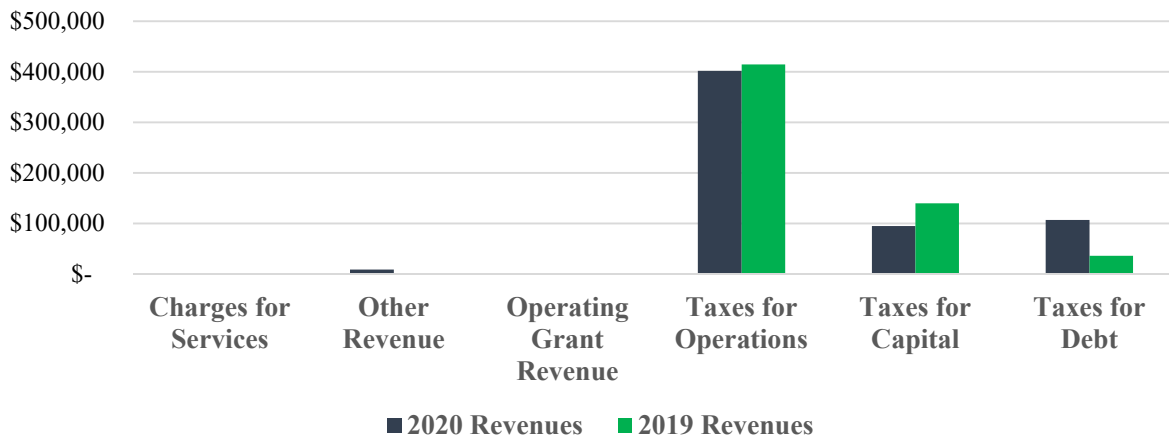
- Administrative
- Cost of Operations
- Length of Service Awards Program
- Interest Expense

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)
YEAR ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
General revenues:				
Property taxes levied for:				
General purposes	\$ 402,192	\$ 414,627	\$ (12,435)	(3.00%)
Capital purchases	95,000	140,000	(45,000)	(32.14%)
Debt service	106,902	36,396	70,506	193.72%
Total property taxes levied	<u>604,094</u>	<u>591,023</u>	13,071	2.21%
Other revenue	8,860	2,267	6,593	290.82%
Operating grant revenue	<u>1,323</u>	<u>1,323</u>	-	0.00%
Total general revenues	<u>614,277</u>	<u>594,613</u>	19,664	3.31%
Increase in net position	264,293	251,254	13,039	5.19%
Net position, January 1, unadjusted	591,767	340,513	251,254	73.79%
Prior period adjustment	(48,473)	-	(48,473)	(100.00%)
Net position, January 1, restated	<u>543,294</u>	<u>340,513</u>	<u>202,781</u>	59.55%
Net position, December 31	<u>\$ 807,587</u>	<u>\$ 591,767</u>	<u>\$ 215,820</u>	36.47%

Revenues



Property tax revenue constituted 98% of the total governmental activities revenues received by the District in 2020 and 99% 2019.

The Cost of Operations & Maintenance comprised 70% and 75% of the District's total expenses in 2020 and 2019, respectively. Administration expenses comprised 17% and 20% of the total expenses in 2020 and 2019, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

Governmental Fund

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

As of December 31, 2020, the combined balance of the governmental cash funds of the District was approximately \$774,200. This balance is approximately \$127,100 higher than last year's combined governmental funds balance.

The combined fund balance of the governmental fund of the District was approximately \$861,100. Of that total, funds of approximately \$163,600 have been restricted for capital, \$209,800 have been restricted for length of service awards program and \$487,700 is unassigned.

The general fund is the main operating fund of the District. At the end of 2020, the total fund balance of the general fund was approximately \$697,600. Of this balance, approximately \$487,700 of it was unassigned.

During 2020 the general fund balance of the District increased by approximately \$107,300. The primary reason for this increased are as follows:

- The Board recognized revenues in excess of expenses of approximately \$107,300.

At the end of 2020, the District had a capital projects fund balance of approximately \$163,600. This is a decrease of (\$53,900). The primary reason for this decrease are as follows:

- The Board recognized expenses in excess of revenues of approximately (\$53,900).

General Fund Budgetary Highlights

- The District recognized actual revenues in excess of budgeted revenues of approximately \$8,300 in 2020.
- Overall, the District's expenditures were approximately \$27,000 more than originally anticipated in the operating budget for 2020.

CAPITAL ASSETS

As of December 31, 2020 the District had invested in capital assets for government activities of approximately \$1,098,900 (net of accumulated depreciation). Capital assets consist of buildings and improvements, equipment and trucks and vehicles.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>\$ Increase (Decrease)</u>
Capital Assets:			
Depreciable:			
Buildings and improvements	\$ 128,997	\$ 111,310	\$ 17,687
Equipment	229,218	217,692	11,526
Trucks and vehicles	1,424,448	859,819	564,629
Total depreciable assets	<u>1,782,663</u>	<u>1,188,821</u>	<u>593,842</u>
Accumulated depreciation	<u>(683,725)</u>	<u>(606,596)</u>	<u>(77,129)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,098,938</u>	<u>\$ 582,225</u>	<u>\$ 516,713</u>

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

DEBT ADMINISTRATION

As of December 31, 2020 the District had obligations under capital leases for government activities of approximately \$509,500 of which approximately \$89,300 is due within one year.

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

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District adopted their 2021 budget on January 11, 2021. The voters subsequently voted to approve the budget at the February election. The 2021 adopted budget reflected an increase in the tax levy of \$11,085, 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. 4 of the Township of Old Bridge's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Fire District No. 4 of the Township of Old Bridge, Cheryl Parker, 3011 Cheesequake Road, Parlin, New Jersey 08859.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
District Wide Statement of Net Position
December 31, 2020

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash (Note 3)	\$ 744,249
Accounts receivable (Note 4)	8,463
Prepaid expense	<u>8,526</u>
Total current assets	<u>761,238</u>
Noncurrent assets:	
Investment in length of service awards program:	
at fair value (Note 5)	141,349
at contract value (Note 6)	<u>57,460</u>
Total investment in length of service awards program	<u>198,809</u>
Total noncurrent assets	<u>960,047</u>
Capital assets, net:	
Depreciable (Note 7)	<u>1,098,938</u>
Total capital assets	<u>1,098,938</u>
Total assets	<u>2,058,985</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 9)	2,451
Deferred outflows related to other post-employment benefits (Note 10)	<u>181,595</u>
Total deferred outflow of resources	<u>184,046</u>
Total assets and deferred outflow of resources	<u><u>\$ 2,243,031</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 88,251
Accrued interest	13,379
Accrued payroll liabilities	2,129
Current portion capital leases payable (Note 8)	<u>89,331</u>
Total current liabilities	<u>193,090</u>
Noncurrent liabilities:	
Capital leases payable, net of current portion (Note 8)	420,190
Net other post-employment benefits liability (Note 10)	172,287
Investment in length of service award program payable (Note 11)	<u>209,809</u>
Total noncurrent liabilities	<u>802,286</u>
Total liabilities	<u>995,376</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 9)	357,326
Deferred inflows related to other post-employment benefits (Note 10)	<u>82,742</u>
Total deferred inflow of resources	<u>440,068</u>
Total liabilities and deferred inflow of resources	<u>1,435,444</u>
NET POSITION	
Net investment in capital assets	589,417
Restricted for:	
Capital projects	163,591
Unrestricted	<u>54,579</u>
Total net position	<u>807,587</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 2,243,031</u></u>

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
District Wide Statement of Activities
For the year ended December 31, 2020

	<u>Expenses</u>	<u>Governmental Activities</u>
Governmental activities:		
Operating appropriations:		
Administration	\$ 59,805	\$ 59,805
Costs of operations and maintenance	244,558	244,558
Interest expense	34,621	34,621
Length of service awards program contribution	11,000	11,000
Total operating appropriations	<u>\$ 349,984</u>	349,984
General revenues:		
Miscellaneous revenue		8,860
Operating grant revenues		1,323
Amount raised by taxation		<u>604,094</u>
Total general revenues		<u>614,277</u>
Change in net position		264,293
Net position, January 1, unadjusted		591,767
Prior period adjustment (Note 17)		(48,473)
Net position, January 1, restated		<u>543,294</u>
Net position, December 31		<u>\$ 807,587</u>

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Balance Sheet
December 31, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:				
Current assets:				
Cash	\$ 744,249	\$ -	\$ -	\$ 744,249
Accounts receivable	8,463	-	-	8,463
Other receivables	-	163,591	-	163,591
Total current assets	<u>752,712</u>	<u>163,591</u>	<u>-</u>	<u>916,303</u>
Noncurrent assets:				
Investment in length of service awards program:				
at fair value	141,349	-	-	141,349
at contract value	57,460	-	-	57,460
Total investment in length of service awards program	<u>198,809</u>	<u>-</u>	<u>-</u>	<u>198,809</u>
Total noncurrent assets	<u>198,809</u>	<u>-</u>	<u>-</u>	<u>198,809</u>
Total assets	<u>\$ 951,521</u>	<u>\$ 163,591</u>	<u>\$ -</u>	<u>\$ 1,115,112</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 88,251	\$ -	\$ -	\$ 88,251
Accrued payroll liabilities	2,129	-	-	2,129
Other payables	163,591	-	-	163,591
Total liabilities	<u>253,971</u>	<u>-</u>	<u>-</u>	<u>253,971</u>
Fund balances:				
Restricted for:				
Capital	-	163,591	-	163,591
Investment in length of service awards program	209,809	-	-	209,809
Unassigned, reported in:				
General fund	487,741	-	-	487,741
Total fund balances	<u>697,550</u>	<u>163,591</u>	<u>-</u>	<u>861,141</u>
Total liabilities and fund balances	<u>\$ 951,521</u>	<u>\$ 163,591</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:				
Prepaid expenses are reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed.				
				8,526
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,782,663 and the accumulated depreciation is \$683,725.				
				1,098,938
Accrued interest payable is not recorded in the fund financial statements due to the fact that the payable is not due in the period.				
				(13,379)
Deferred outflows and inflows of resources related to pensions and other post-employment health benefits are applicable to future reporting periods and, therefore, are not reported in the funds.				
				(256,022)
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.				
				(891,617)
Net position of governmental activities				<u>\$ 807,587</u>

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 614	\$ -	\$ -	\$ 614
Appreciation in the value of length of service awards program	22,749	-	-	22,749
Other revenue	8,246	-	-	8,246
Total miscellaneous revenues	<u>31,609</u>	<u>-</u>	<u>-</u>	<u>31,609</u>
Operating grant revenue:				
Supplemental fire service grant	1,323	-	-	1,323
Total operating grant revenue	<u>1,323</u>	<u>-</u>	<u>-</u>	<u>1,323</u>
Total revenues	<u>32,932</u>	<u>-</u>	<u>-</u>	<u>32,932</u>
Amount raised by taxation to support district budget	<u>402,192</u>	<u>95,000</u>	<u>106,902</u>	<u>604,094</u>
Total anticipated revenues	<u>435,124</u>	<u>95,000</u>	<u>106,902</u>	<u>637,026</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	23,750	-	-	23,750
Other expenditures:				
Professional fees	27,830	-	-	27,830
Advertising	427	-	-	427
Elections	349	-	-	349
Office supplies and postage	7,449	-	-	7,449
Total administration	<u>59,805</u>	<u>-</u>	<u>-</u>	<u>59,805</u>
Cost of operations and maintenance:				
Fringe benefits	15,633	-	-	15,633
Other expenditures:				
Rental charges	45,000	-	-	45,000
Materials and supplies	1,992	-	-	1,992
Insurance	47,307	-	-	47,307
Fire protection	9,830	-	-	9,830
Training and education	4,028	-	-	4,028
Utilities	25,625	-	-	25,625
Maintenance and repairs	25,211	-	-	25,211
Other non-bondable assets	77,840	-	-	77,840
Total cost of operations and maintenance	<u>252,466</u>	<u>-</u>	<u>-</u>	<u>252,466</u>
Length of service awards program:				
Administrative fees	1,075	-	-	1,075
Participant withdrawals	14,487	-	-	14,487
Total length of service awards program	<u>15,562</u>	<u>-</u>	<u>-</u>	<u>15,562</u>
Capital appropriations	<u>-</u>	<u>573,890</u>	<u>-</u>	<u>573,890</u>
Debt service for capital appropriations:				
Principal on capital leases	-	-	82,546	82,546
Interest on capital leases	-	-	24,356	24,356
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>106,902</u>	<u>106,902</u>
Total operating appropriations	<u>327,833</u>	<u>573,890</u>	<u>106,902</u>	<u>1,008,625</u>
Excess (efficiency) of revenues over (under) expenditures before other financing sources/(uses)	<u>107,291</u>	<u>(478,890)</u>	<u>-</u>	<u>(371,599)</u>
Other financing sources (uses):				
Proceeds from capital leases	-	425,000	-	425,000
Total other financing sources (uses):	<u>-</u>	<u>425,000</u>	<u>-</u>	<u>425,000</u>
Excess (efficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	107,291	(53,890)	-	53,401
Fund balance, January 1	590,259	217,481	-	807,740
Fund balance, December 31	<u>\$ 697,550</u>	<u>\$ 163,591</u>	<u>\$ -</u>	<u>\$ 861,141</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance
to the District Wide Statement of Activities
December 31, 2020

Total net changes in Fund Balance-Governmental Funds (B-2)	\$		53,401
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Prepaid expenses are reported in governmental funds as expenditures. However, in the district wide statement of net position, the cost of those assets are expensed.</p>			
		Prior year	(6,430)
		Current year	8,526
			2,096
<p>Length of service awards program (LOSAP) contribution is not reported in governmental funds as expenditures. However, in the district wide statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.</p>			
		Length of service awards program contribution	(11,000)
		Appreciation in the value of length of service awards program	(22,749)
		Administrative fees	1,075
		Participant withdrawals	14,487
			(18,187)
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the district wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>			
		Capital Outlay - General Fund	20,037
		Capital Outlay - Capital Projects Fund	573,805
		Depreciation Expense	(77,129)
			516,713
<p>Accrual of interest on capital lease purchase loan is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the district wide statement of activities.</p>			
		Prior year	3,114
		Current year	(13,379)
			(10,265)
<p>Proceeds from capital leases are recorded as an other financing source (use) in the governmental funds but the proceeds are as long-term liabilities in the district wide statement of net position and is not reported in the district wide statement of activities.</p>			
			(425,000)
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the district wide statement of net position and is not reported in the district wide statement of activities.</p>			
			82,546
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the district wide statement of net position because the reported net pension liability is measured a year before the district's report date. Pension (expense) credit, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pension, is reported in the district wide statement of activities.</p>			
		Pension credit	87,951
			87,951
<p>District other postemployment benefit contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the district wide statement of net position because the reported net other postemployment benefit liability is measured a year before the District's report date. Other postemployment expense, which is the change in the net other postemployment benefit liability adjusted for changes in deferred outflows and inflows of resources related to other postemployment benefits is reported in the district wide statement of activities.</p>			
		Other postemployment benefit credit (expense)	(24,962)
			(24,962)
			\$ 264,293

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements
For the year ended December 31, 2020

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

Fire District No. 4 of the Township of Old Bridge (here after referred to as the District) is a political subdivision of the Township of Old Bridge, County of Middlesex, State of New Jersey. A board of five commissioners (the Board) oversees all of the operations of the District. The length of each commissioner’s term is three years with the annual election held the third Saturday of every February.

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

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

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

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

District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2020:

<u>Officials:</u>	<u>Term Expires</u> <u>March</u>
Mike Donahue	2023
Anthony Guarnera	2021
Patricia Guarnera	2022
Ann B. Peel	2022
Drew Vagts	2023

Accounting Records

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

Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 1: GENERAL INFORMATION (continued)

Component Units

GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units*. The District did not have a component unit as of and for the year ended December 31, 2020.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Fund Accounting

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Governmental Funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

District Wide and Fund Financial Statements

The district wide financial statements (A-1 and A-2) include the district wide statement of net position and the district wide statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the district wide statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees. The district wide statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit.

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

However, the fiduciary funds are not included in the district wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The fund financial statements provide detail of the governmental funds.

Basis of Accounting

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

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

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

Budgets and Budgetary Accounting

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

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

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

Fire 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. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were no encumbrances at December 31, 2020.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks. Fire Districts are required by *N.J.S.A. 40A: 5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. *N.J.S.A. 40A: 5-15.1* provides a list of investments that may be purchased by fire districts. *N.J.S.A. 17:9-42* requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

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

Prepaid Expenses

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

Debt Limitation

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

Capital Assets

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Building and improvements	7 to 20 Years
Equipment	5 to 10 Years
Trucks and vehicles	5 to 20 Years

Inventory, Materials and Supplies

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

Other Receivables and Payables

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

Revenues and Expenditures – Governmental Funds

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

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

Fire District Taxes

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

Deferred Outflows and Deferred Inflows of Resources

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

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions and Other Post-employment Benefits

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

Fund Equity

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

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

Net Position

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

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

Use of Estimates

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements Adopted in the Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2020:

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. 84, *Fiduciary Activities*, establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. Statement No. 84 is effective for reporting periods beginning after December 15, 2019. The adoption of this Statement resulted in a prior period adjustment. Implementation of this statement did not have a significant impact on the District's financial statements.

GASB Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Recently Issued Accounting Pronouncements Not Yet Adopted

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

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

Investments

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2020 through the date of March 15, 2022, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2020, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 744,249
Total deposits	<u>\$ 744,249</u>
 Reconciliation to the Governmental Funds	
Governmental Funds	\$ 744,249
Total	<u>\$ 744,249</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, 2020, the District's bank balance of \$758,341 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUPA	<u>508,341</u>
Total	<u>\$ 758,341</u>

NOTE 4: ACCOUNTS RECEIVABLE

As of December 31, 2020, accounts receivables consisted of the following:

Health benefits reimbursement	\$ 6,969
Workers compensation reimbursement	<u>1,494</u>
Total	<u>\$ 8,463</u>

NOTE 5: INVESTMENTS HELD AT FAIR VALUE

Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

Custodial Credit Risk (continued)

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.

Investment Interest Rate Risk

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

Investment Credit Risk

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

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

Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 5: INVESTMENTS HELD AT FAIR VALUE (continued)

Fair Value Measurement (continued)

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

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

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value. The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

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

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

The following table sets forth by level, within the value hierarchy, the District’s investments at fair value at December 31, 2020.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<i>Registered investment companies</i>	\$ 141,349	\$ -	\$ -	\$ 141,349
Total investments held at fair value	<u>\$ 141,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,349</u>

NOTE 6: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with Lincoln Financial (Lincoln) totaling \$57,460 as of December 31, 2020. Lincoln maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer’s ability to meet its financial obligations.

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 7: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for fire districts, and the *N.J.S.A. 40A: 14-85-87* governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase firefighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the District upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger. Capital assets consisted of the following at December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 111,310	\$ 17,687	\$ -	\$ 128,997
Equipment	217,692	11,526	-	229,218
Trucks and vehicles	<u>859,819</u>	<u>564,629</u>	<u>-</u>	<u>1,424,448</u>
Total capital assets being depreciated	<u>1,188,821</u>	<u>593,842</u>	<u>-</u>	<u>1,782,663</u>
Less: accumulated depreciation:				
Buildings and improvements	(94,937)	(5,995)	-	(100,932)
Equipment	(39,611)	(20,823)	-	(60,434)
Trucks and vehicles	<u>(472,048)</u>	<u>(50,311)</u>	<u>-</u>	<u>(522,359)</u>
Total accumulated depreciation	<u>(606,596)</u>	<u>(77,129)</u>	<u>-</u>	<u>(683,725)</u>
Total capital assets net of accumulated depreciation	<u>\$ 582,225</u>	<u>\$ 516,713</u>	<u>\$ -</u>	<u>\$ 1,098,938</u>

NOTE 8: NONCURRENT LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term obligations:

	<u>Beginning Balance</u>	<u>Accrued/ Increases</u>	<u>(Retired)/ (Decreases)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Obligations under capital lease	\$ 167,067	\$ 425,000	\$ (82,546)	\$ 509,521	\$ 89,331
Length of service awards program	191,622	33,749	(15,562)	209,809	-
Net OPEB liability	<u>121,102</u>	<u>51,185</u>	<u>-</u>	<u>172,287</u>	<u>-</u>
Total	<u>\$ 479,791</u>	<u>\$ 509,934</u>	<u>\$ (98,108)</u>	<u>\$ 891,617</u>	<u>\$ 89,331</u>

Capital Leases

The following is a schedule of future minimum capital lease payments at December 31, 2020:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 89,331	\$ 17,571	\$ 106,903
2022	92,350	14,553	106,903
2023	95,471	11,431	106,902
2024	98,698	8,204	106,902
2025	65,640	4,866	70,506
Thereafter	<u>68,031</u>	<u>2,476</u>	<u>70,506</u>
Total	<u>\$ 509,521</u>	<u>\$ 59,101</u>	<u>\$ 568,622</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS

Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

The vesting and benefit provisions are set by *N.J.S.A. 43:16A*. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1 % for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Basis of Presentation

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Police and Firemen’s Retirement System (PFRS) (continued)

Contributions

The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2020, the State contributed an amount less than the actuarially determined amount. The Local employers’ contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2020, the District’s contractually required contributions to PFRS plan was \$0.

Net Pension Liability and Pension (Benefit) Expense

At December 31, 2020 the District’s proportionate share of the PFRS net pension liability was \$0. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2019, to the measurement date of June 30, 2020. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended December 31, 2020. The District’s proportion measured as of June 30, 2020, was 0.0000000000%, which has remained unchanged from its proportion measured as of June 30, 2019.

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
	June 30, 2020	June 30, 2019
Actuarial valuation date (including roll forward)		
Deferred outflows of resources	\$ 2,451	\$ 6,676
Deferred inflows of resources	357,326	449,502
Net pension liability	-	-
District’s portion of the plan's total net pension liability	0.00000%	0.00000%

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

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

At December 31, 2020, the District's proportionate share of the PFRS (benefit) expense, calculated by the plan as of the June 30, 2020 measurement date was \$(87,951). The District had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between the District's contributions and proportion share of contributions	<u>2,451</u>	<u>357,326</u>
	<u>\$ 2,451</u>	<u>\$ 357,326</u>

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
June 30, 2019	-	5.92
June 30, 2020	5.90	-
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
June 30, 2019	-	5.92
June 30, 2020	-	5.90

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

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

Net difference between projected and actual earnings on pension plan investments

Year of pension plan deferral:

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

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

Year of Pension Plan Deferral:

June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73
June 30, 2019	5.92	5.92
June 30, 2020	5.90	5.90

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PFRS that will be recognized in future periods:

Year Ending December 31,	<u>Amount</u>
2021	\$ (125,619)
2022	(112,953)
2023	(95,188)
2024	(79,923)
2025	<u>58,808</u>
Total	<u>\$ (354,875)</u>

Special Funding Situation

Under *N.J.S.A. 43:16A-15*, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Special Funding Situation (continued)

Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.

Additionally, the State's proportionate share of the PFRS net pension liability attributable to the District is \$0 as of December 31, 2020. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2019, to the measurement date of June 30, 2020. The State's proportion of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2020 was 0.0000000000%, which has remained unchanged from its proportion measured as of June 30, 2019, which is the same proportion as the District's. At December 31, 2020, the District's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

District's proportional share of net pension liability	\$ _____ -
State of New Jersey's proportionate share of net pension liability associated with the District	\$ _____ -

At December 31, 2020, the State's proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2020 measurement date was \$0.

Actuarial Assumptions

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

Inflation:	
Price	2.75%
Wage	3.25%
 Salary increases:	
Through 2026	3.25% - 15.25% Based on Years of Service
Investment rate of return	7.00%
Mortality rate table	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2014 - June 30, 2018

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Actuarial Assumptions (continued)

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%
	<u>100.00%</u>	

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 9: PENSION OBLIGATIONS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1 % Decrease <u>(5.00%)</u>	Current Discount Rate <u>(6.00%)</u>	1% Increase <u>(7.00%)</u>
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of New Jersey's proportionate share of net pension liability associated with the District	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Related Party Investments

The Division of Pensions and Benefits does not invest in securities issued by the District.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

General Information about the Other Post-employment Benefits Plan

The State of New Jersey Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey Division's CAFR, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Basis of Presentation

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2020 were \$5,512,481,278 and \$12,598,993,950, respectively.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Allocation Methodology (continued)

The nonspecial funding situation’s net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan’s nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The total OPEB liability as of December 31, 2020 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:		2.50%
Salary increases:		
PERS initial year applied		
rate through 2026	2.00% – 6.00%	
thereafter	3.00% – 7.00%	
PFRS		
For all future periods	3.25% – 15.25%	
Mortality rate table:	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020	

* Salary increases are based on years of service with the respective plan.

OPEB Obligation and OPEB (Benefit) Expense

The District’s proportionate share of the total OPEB obligations was \$172,287. The OPEB obligation was measured as of June 30, 2020, and the total OPEB obligation used to calculate the OPEB obligation was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2020. The State of New Jersey’s proportionate share of the OPEB obligation associated with the District was based on projection of the State of New Jersey’s long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State of New Jersey associated with all participating entities, actuarially determined. At June 30, 2020, the State of New Jersey proportionate share of the OPEB obligation attributable to the District was 0.000960%, which was an increase of 0.000066% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2020, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$28,105 for the State of New Jersey’s proportionate share of the OPEB (benefit) expense attributable to the District. This OPEB (benefit) expense was based on the OPEB plans June 30, 2020 measurement date.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. 100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7% decreasing to a 4.5% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2020, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	Healthcare Cost Trend <u>Rate</u>	<u>1%</u> <u>Increase</u>
The District's proportionate share of the net OPEB liability	\$ 142,568	\$ 172,287	\$ 211,205
The State of New Jersey's proportionate net share of net OPEB liability associated with the District	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate (continued)

	1% Decrease <u>(1.21%)</u>	Current Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
The District's proportionate share of the net OPEB liability	\$ 150,362	\$ 172,287	\$ 113,530
The State of New Jersey's proportionate share of net OPEB liability associated with the District	\$ 15,662,704,137	\$ 17,946,612,946	\$ 11,826,026,995

The following presents the collective net OPEB liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

Additional Information

The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2020:

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred outflows of resources	\$ 181,595	\$ 165,346
Deferred inflows of resources	82,742	92,717
Net OPEB liability	172,287	121,102
The District's portion of the Plan's total net OPEB liability	0.00096%	0.00089 %

OPEB Deferred Outflows/Inflows of Resources

At December 31, 2020, the District's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2020 measurement date is \$181,595 and \$82,742, respectively. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Deferred Outflows/Inflows of Resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,538	\$ 32,083
Changes of assumptions	25,769	38,314
Net difference between projected and actual earnings on pension plan investments	109	-
Changes in proportion and differences between the District's contributions and proportion share of contributions	151,179	12,345
	<u>\$ 181,595</u>	<u>\$ 82,742</u>

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 20,767
2022	20,777
2023	20,751
2024	20,742
2025	20,732
Thereafter	<u>(4,916)</u>
Total	<u>\$ 98,853</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.87, 8.05, 8.14 and 8.04 years for the 2020, 2019, 2018 and 2017 amounts, respectively.

Plan Membership

At June 30, 2020, the Program membership consisted of the following:

Active Plan Members	62,547
Retirees Currently Receiving Benefits	<u>30,614</u>
Total Plan Members	<u>93,161</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2020 (measurement date June 30, 2020) is as follows:

Service Cost	\$ 605,949,339
Interest on Total OPEB Liability	497,444,533
Change in Benefit Terms	1,034,142
Differences Between Expected and Actual and Actual Experience	541,506,395
Changes in Assumptions	3,074,968,821
Contributions from Employer	(292,404,377)
Contributions from Non-employer Contributing Entity	(35,011,940)
Net Investment Income	(2,858,334)
Administrative Expense	9,913,267
Net Change in Total OPEB Liability	4,400,541,846
Total OPEB Liability (Beginning)	13,546,071,100
Total OPEB Liability (Ending)	<u>\$ 17,946,612,946</u>

NOTE 11: LENGTH OF SERVICE AWARDS PROGRAM

The District's length of service awards program (LOSAP), which is reported in the District's general fund, pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents the Township of Old Bridge 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 LOSAP Plan must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per initial plan year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,000 for the year ended December 31, 2020, per eligible volunteer, into the LOSAP Plan. During the year ended December 31, 2020, the District contributed a total of \$11,000 to the LOSAP Plan. Participants direct the investment of the contributions into various investment options offered by the LOSAP Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the LOSAP Plan. The types of investment options, and the administering of such investments, rests solely with the LOSAP Plan administrator.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 11: LENGTH OF SERVICE AWARDS PROGRAM (continued)

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 (Plan Administrator), as an approved LOSAP provide a third-party administrator for the exclusive benefit of the LOSAP Plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the LOSAP Plan Administrator. The District's practical involvement in administering the LOSAP Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the LOSAP Plan Administrator.

Vesting

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

Payment of Benefits

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

Payment of Benefits

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the Plan Administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2020, \$14,487 in withdrawals were made to vested participants.

Forfeited Accounts

There were no forfeitures during the year ended December 31, 2020.

Investments

The investments of the LOSAP reported on the statement of fiduciary net position are recorded at fair value and contract value as described in Note 2: *Investments*.

Plan Information

Additional information about the District's LOSAP can be obtained by contacting the LOSAP Plan Administrator.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 12: FUNDING

The activities of the District are primarily funded by the striking of the fire tax on the property owners of the District, as provided for by the state statute. For the year ended December 31, 2020, the fire tax rate on the District was approximately \$.329 per \$100 of assessed valuation. The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$1,323.

NOTE 13: OTHER RECEIVABLES AND PAYABLES

Other receivable and payables are interfunds whose purpose is for short-term borrowing. As of December 31, 2020, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 163,591
Capital projects	163,591	-
Totals	<u>\$ 163,591</u>	<u>\$ 163,591</u>

Other receivables and 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 district wide statement of net position.

NOTE 14: FUND BALANCE

General Fund – Of the \$697,550 General Fund balance at December 31, 2020, \$209,809 is restricted for length of service award program and \$487,741 is unassigned.

Capital Projects Fund – Of the \$163,591 Capital Projects Fund balance at December 31, 2020, \$163,591 is restricted for capital.

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

NOTE 15: COOPERATIVE AGREEMENT

As of July 1, 2017, the fire bureau operations were taken over by the Fire District No. 3 of the Township of Old Bridge through a cooperative agreement.

NOTE 16: PENDING LITIGATION

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2020

NOTE 17: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSTION – GOVERNMENTAL ACTIVITIES

Governmental activities net position as of January 1, 2019 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74*:

	<u>Governmental Activities</u>
Net position as previously reported at December 31, 2019	\$ 591,767
Implementation of GASB 75:	
Net other postemployment benefit liability (measurement date as of June 30, 2019)	(121,102)
Deferred inflows of resources related to other postemployment benefits (measurement date as of June 30, 2019)	(92,717)
Deferred outflows of resources related to other postemployment benefits (measurement date as of June 30, 2019)	<u>165,346</u>
Total prior period adjustment/restatement of net position	<u>(48,473)</u>
Net position as restated January 1, 2020	<u><u>\$ 543,249</u></u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2020

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 600	\$ 600	\$ 614	\$ 14
Other revenue	-	-	8,246	8,246
Total miscellaneous revenues	<u>600</u>	<u>600</u>	<u>8,860</u>	<u>8,260</u>
Operating grant revenue:				
Supplemental fire service grant	1,323	1,323	1,323	-
Total operating grant revenue	<u>1,323</u>	<u>1,323</u>	<u>1,323</u>	<u>-</u>
Total revenues	<u>1,923</u>	<u>1,923</u>	<u>10,183</u>	<u>8,260</u>
Amount raised by taxation to support district budget	604,094	604,094	604,094	-
Total anticipated revenues	<u>606,017</u>	<u>606,017</u>	<u>614,277</u>	<u>8,260</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	23,500	23,750	23,750	-
Fringe benefits	2,115	2,115	-	2,115
Other expenditures:				
Professional fees	30,000	30,000	27,830	2,170
Advertising	-	-	427	(427)
Elections	-	-	349	(349)
Office supplies and postage	12,000	11,750	7,449	4,301
Total administration	<u>67,615</u>	<u>67,615</u>	<u>59,805</u>	<u>7,810</u>
Cost of operations and maintenance:				
Fringe benefits	20,000	20,000	15,633	4,367
Other expenditures:				
Rental charges	45,000	45,000	45,000	-
Materials and supplies	4,000	4,000	1,992	2,008
Insurance	60,000	60,000	47,307	12,693
Fire protection	30,000	30,000	9,830	20,170
Training and education	11,500	11,500	4,028	7,472
Utilities	26,000	26,000	25,625	375
Maintenance and repairs	50,000	30,000	25,211	4,789
Other non-bondable assets	70,000	90,000	77,840	12,160
Total cost of operations and maintenance	<u>316,500</u>	<u>316,500</u>	<u>252,466</u>	<u>64,034</u>
Length of service award program	20,000	20,000	11,000	9,000
Capital appropriations	95,000	95,000	573,890	(478,890)
Debt service for capital appropriations:				
Principal on capital leases	83,466	83,466	82,546	920
Interest on capital leases	23,436	23,436	24,356	(920)
Total debt service for capital appropriations	<u>106,902</u>	<u>106,902</u>	<u>106,902</u>	<u>-</u>
Total operating appropriations	<u>606,017</u>	<u>606,017</u>	<u>1,004,063</u>	<u>(398,046)</u>
Excess (efficiency) of revenues over (under) expenditures before other financing sources/(uses)	-	-	(389,786)	(389,786)
Other financing sources (uses):				
Proceeds from capital leases	-	-	425,000	425,000
Total other financing sources (uses):	-	-	<u>425,000</u>	<u>425,000</u>
Excess (efficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	-	-	35,214	35,214
Fund balance, January 1	616,118	616,118	616,118	-
Fund balance, December 31	<u>\$ 616,118</u>	<u>\$ 616,118</u>	<u>\$ 651,332</u>	<u>\$ 35,214</u>
RECAPITULATION OF FUND BALANCE:				
Restricted fund balance:				
Capital			\$ 163,591	
Unassigned fund balance			<u>487,741</u>	
Total - budgetary basis			<u>651,332</u>	
Reconciliation to governmental fund statements (GAAP):				
Length of service award program investment balance not recognized on the budgetary basis			<u>209,809</u>	
Total fund balance per governmental funds (GAAP)			<u>\$ 861,141</u>	

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2020

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1):	\$ 614,277
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation of investments	<u>22,749</u>
Total Revenues as Reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 637,026</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,004,063
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the LOSAP Plan.	
Length of service awards program contribution	(11,000)
Administrative fees	1,075
Participant withdrawals	<u>14,487</u>
Total Expenditures as Reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,008,625</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Schedule of the District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System
Last Eight Fiscal Years *

	Measurement Date Ended June 30,							
	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00000%	0.00000%	0.00338%	0.00340%	0.00344%	0.00327%	0.00328%	0.00330%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ 457,294	\$ 524,186	\$ 656,900	\$ 544,766	\$ 412,484	\$ 438,740
State's proportionate share of the net pension liability associated with the District (asset)	-	-	62,116	58,713	55,163	47,774	44,418	40,896
Total	\$ -	\$ -	\$ 519,410	\$ 582,899	\$ 712,063	\$ 592,540	\$ 456,902	\$ 479,636
District's covered-employee payroll	-	-	65,399	111,012	109,912	106,204	103,572	102,548
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	0%	699%	472%	598%	513%	398%	428%
Plan fiduciary net position as a percentage of the total pension liability	63.52%	65.00%	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Schedule of District Contributions
Police and Firemen's Retirement System
Last Eight Fiscal Years *

	Year Ended December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ -	\$ -	\$ 33,039	\$ 30,050	\$ 28,038	\$ 26,585	\$ 25,186	\$ 24,078
Contributions in relation to the contractually required contribution	-	-	(33,039)	(30,050)	(28,038)	(26,585)	(25,186)	(24,078)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	-	-	-	65,399	111,012	109,912	106,204	103,572
Contributions as a percentage of covered-employee payroll	0%	0%	0%	46%	25%	24%	24%	23%

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability
Last Three Fiscal Years *

	<u>Measurement Date Ended June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's Proportion of the Other Postemployment Benefit Liability (asset)	0.000960%	0.000894%	0.000966%
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset)	172,287	121,102	151,340
District's Covered-employee Payroll	-	-	65,399
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset) as a Percentage of its Covered-employee payroll	0.00%	0.00%	43.21%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefit Liability	2.00%	1.98%	1.97%

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to the Required Supplementary Information
December 31, 2020

Police and Firemen’s Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 6.85% as of June 30, 2019, to 7.00% as of June 30, 2020.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

The increase in benefit terms from June 30, 2019 to June 30, 2020 was a result of employers adopting new Chapter 48 provisions which provide different levels of subsidy than in the prior year.

Differences Between Expected and Actual Experiences

The increase in differences between expected and actual experiences from June 30, 2019 to June 30, 2020 was a result of changes to the census, claims and premiums experience,

Changes of Assumptions

The discount rate changed from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020, as well as changes in the trend, repealment of the excise tax and updated mortality improvement assumptions.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the year ended December 31, 2020

Description	Date of Lease	Term of Lease	Amount of Original Issue		Interest Payable	Annual Maturities		Interest Rate Payable	Amount Outstanding December 31, 2019	Issued	Retired	Amount Outstanding December 31, 2020
			Principal	Interest		Date	Amount					
Pumper - Lease 2004	5/12/14	10 years	\$ 311,740	\$ 52,224	2.92%	5/12/2021	32,438	2.92%	\$ 167,067	\$ -	\$ 31,518	\$ 135,549
						5/12/2022	33,385	2.92%				
						5/12/2023	34,360	2.92%				
						5/12/2024	35,365	2.92%				
Fire Apparatus - Lease 2020	3/15/2021	7 years	\$ 425,000	\$ 68,541	3.64%	3/15/2021	\$ 56,893	3.64%	\$ -	\$ 425,000	\$ 51,028	\$ 373,972
						3/15/2022	58,964	3.64%				
						3/15/2023	61,111	3.64%				
						3/15/2024	63,335	3.64%				
						3/15/2025	65,640	3.64%				
						3/15/2026	68,030	3.64%				
Total									\$ 167,067	\$ 425,000	\$ 82,546	\$ 509,521

Board of Fire Commissioners
Fire District No. 4 of the Township of Old Bridge
County of Middlesex
Old Bridge Township, New Jersey

We have audited the basic financial statements of the Fire District No. 4 of the Township of Old Bridge, (hereafter referred to as the District), County of Middlesex, State of New Jersey for the year ended December 31, 2020. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, from January 1, 2020 through June 30, 2020 and \$44,000 from July 1, 2020 through December 31, 2020, except by contract or agreement.

The District has a qualified purchasing agent on staff and therefore may award contracts up to \$40,000 from January 1, 2020 through June 30, 2020 and \$44,000 from July 1, 2020 through December 31, 2020 without competitive bids.

It is pointed out that the Members 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 revealed individual payments, contracts or agreements in excess of \$6,000 from January 1, 2020 through June 30, 2020 and then \$6,600 from July 1, 2020 through December 31, 2020 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was performed. The results of the test did not disclose any discrepancies.

Examination of Bills

A test check of paid bills was performed and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

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.

Capital Assets

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

Budget Adoption

The State of New Jersey requires that the District's operating and capital budgets be approved and adopted for each fiscal year. The District approved its operating budget on November 11, 2019 and adopted its operating budget on January 13, 2020.

Current Year Finding

There were no current year findings

Follow-up on Prior Year's Findings

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

Acknowledgment

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

Should you have any questions, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 15, 2022
Lakewood, New Jersey