

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN

Financial Statements and Supplementary Information

**For the year ended December 31, 2021
(With Independent Auditor's Report Thereon)**

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Table of Contents
For the year ended December 31, 2021

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	14
District Wide Statement of Activities	16
Governmental Funds Balance Sheet	17
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the District Wide Statement of Activities	20
Notes to Financial Statements	22
Required Supplemental Information:	
Budgetary Comparison Schedule	48
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS	50
Schedule of District Contributions – PERS	51
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability – OPEB	52
Notes to the Required Supplementary Information	53
Other Supplementary Information:	
Long-Term Debt Schedule of Obligations under Capital Leases	54
General Comments and Recommendations	55



INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners
Fire District No. 1 of the Township of Ocean
County of Monmouth
Township of Ocean, State of New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Ocean (hereafter referred to as the District), County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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. 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 for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the accompanying long-term debt schedule of obligations under capital leases but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023 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 District's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

February 7, 2023
Lakewood, New Jersey

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

To the Board of Fire Commissioners
Fire District No. 1 of the Township of Ocean
County of Monmouth
Township of Ocean, State of 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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Ocean (hereafter referred to as the “District”) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated February 7, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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

February 7, 2023
Lakewood, New Jersey

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

As management of the Fire District No. 1 of the Township of Ocean (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, 2021. 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 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 22.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at December 31, 2021 by approximately \$2,577,200. During 2020 the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources was approximately \$1,989,000. This is an increase of approximately \$588,200.
- During 2021 the District operated at a surplus of approximately \$588,400. During 2020 the Fire District operated at a surplus of approximately \$570,600. This is an increase of approximately \$17,900.
- The District's liabilities and deferred inflows of resources increased approximately \$203,900 in 2021 and their assets and deferred outflows of resources increased by approximately \$792,200.

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 Ocean Township, 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 2021, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$2,577,200. 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. 1 OF THE TOWNSHIP OF OCEAN DISTRICT WIDE STATEMENT OF NET POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and noncurrent assets and deferred outflows of resources	\$ 4,514,571	\$ 3,554,121	\$ 960,450	27.02%
Capital assets	<u>2,078,853</u>	<u>2,247,127</u>	<u>(168,274)</u>	(7.49%)
Total assets and deferred outflows of resources	6,593,424	5,801,248	792,176	13.66%
Total liabilities and deferred inflows of resources	<u>(4,016,177)</u>	<u>(3,812,249)</u>	<u>203,928</u>	(5.35%)
Net position	<u>\$ 2,577,247</u>	<u>\$ 1,988,999</u>	<u>\$ 588,248</u>	29.58%
Analysis of net position				
Invested in capital assets, net of related debt	\$ 1,543,007	\$ 2,247,127	\$ (704,120)	(31.33%)
Restricted for:				
Capital projects	1,636,625	907,769	728,856	80.29%
Unrestricted	<u>(602,385)</u>	<u>(1,166,077)</u>	<u>563,692</u>	(48.34%)
Total net position	<u>\$ 2,577,247</u>	<u>\$ 1,988,819</u>	<u>\$ 588,428</u>	29.59%



The net position of the District increased approximately \$588,400 as a result of the current year surplus. In 2021 the capital assets decreased by approximately \$168,300 after depreciation expense.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

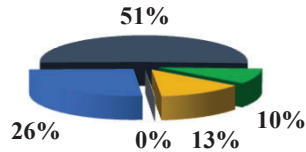
Governmental Activities

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. 1 OF THE TOWNSHIP OF OCEAN
DISTRICT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021 AND 2020**

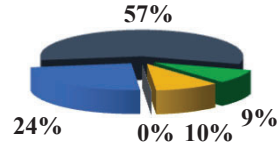
	<u>2021</u>	<u>2020</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 388,961	\$ 355,683	\$ 33,278	9.36%
Cost of operations and maintenace	758,788	843,642	(84,854)	(10.06%)
Operating appropriations offset with revenues	139,705	126,029	13,676	10.85%
Appropriations for first aid squad	198,732	152,222		
Interest expense	1,975	977	998	102.15%
Total program expenses	<u>\$ 1,488,161</u>	<u>\$ 1,478,553</u>	<u>\$ 9,608</u>	0.65%

2021 Program Expenses



- Administrative
- Cost of Operations
- Operating Appropriations Offset with Revenues
- Appropriations for First Aid Squad

2020 Program Expenses



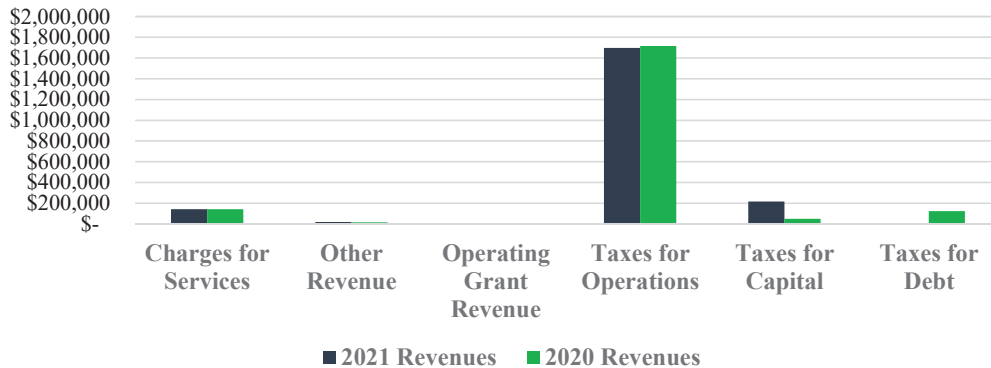
- Administrative
- Cost of Operations
- Operating Appropriations Offset with Revenues
- Appropriations for First Aid Squad

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)
YEAR ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Program revenues:				
Charges for services	142,181	141,513	668	0.47%
Total program revenues	<u>142,181</u>	<u>141,513</u>	<u>668</u>	<u>0.47%</u>
Net program expenses	1,345,980	1,337,040	8,940	0.67%
General revenues:				
Property taxes levied for:				
General purposes	\$ 1,697,034	\$ 1,715,441	\$ (18,407)	(1.07%)
Capital purchases	214,000	47,500	166,500	350.53%
Debt service	-	122,860	(122,860)	(100.00%)
Total property taxes levied	<u>1,911,034</u>	<u>1,885,801</u>	<u>25,233</u>	<u>1.34%</u>
Other revenue	17,273	15,690	1,583	10.09%
Operating grant revenue	<u>6,101</u>	<u>6,101</u>	<u>-</u>	<u>0.00%</u>
Total general revenues	1,934,408	1,907,592	26,816	1.41%
Increase in net position	588,428	570,552	17,876	3.13%
Net position, January 1	<u>1,988,819</u>	<u>1,418,267</u>	<u>570,552</u>	<u>40.23%</u>
Net position, December 31	<u>\$ 2,577,247</u>	<u>\$ 1,988,819</u>	<u>\$ 588,428</u>	<u>29.59%</u>

Revenues



Property tax revenue constituted 92% of the total governmental activities revenues received by the District in 2021 and 92% 2020.

The Cost of Operations & Maintenance comprised 59% and 64% of the District's total expenses in 2021 and 2020, respectively. Administration expenses comprised 30% and 27% of the total expenses in 2021 and 2020, 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, 2021, the combined balance of the governmental cash funds of the District was approximately \$3,516,400. This balance is approximately \$535,500 higher than last year's combined governmental funds balance.

The combined fund balance of the governmental fund of the District was approximately \$3,991,100. Of that total, funds of approximately \$1,636,600 have been restricted for capital and \$2,192,700 is unassigned.

The general fund is the main operating fund of the District. At the end of 2021, the total fund balance of the general fund was approximately \$2,354,500. Of this balance, approximately \$2,192,700 of it was unassigned.

During 2021 the general fund balance of the District increased by approximately \$322,100. The primary reason for this increased are as follows:

- The Board recognized revenues in excess of expenses of approximately \$322,100.

At the end of 2021, the District had a capital projects fund balance of approximately \$1,636,600. This is an increase of \$728,900. The primary reason for this increase are as follows:

- The Board recognized revenues in excess of expenses of approximately \$728,900.

General Fund Budgetary Highlights

- The District recognized actual revenues in excess of budgeted revenues of approximately \$14,500 in 2021.
- Overall, the District's expenditures were approximately \$536,600 less than originally anticipated in the operating budget for 2021.

CAPITAL ASSETS

As of December 31, 2021 the District had invested in capital assets for government activities of approximately \$2,078,900 (net of accumulated depreciation). Capital assets consist of buildings and improvements, equipment and trucks and vehicles.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>	<u>\$ Increase (Decrease)</u>
Capital Assets:			
Non-depreciable:			
Construction in progress	\$ -	\$ 62,254	\$ (62,254)
Land	\$ 108,249	\$ 108,249	-
Total non-depreciable assets	<u>108,249</u>	<u>170,503</u>	<u>(62,254)</u>
Depreciable:			
Buildings and improvements	\$ 2,831,826	\$ 2,709,058	\$ 122,768
Machinery and equipment	971,380	983,080	(11,700)
Office furniture and equipment	47,530	47,530	-
Vehicles and apparatus	<u>2,768,106</u>	<u>2,888,347</u>	<u>(120,241)</u>
Total depreciable assets	<u>6,618,842</u>	<u>6,628,015</u>	<u>(9,173)</u>
Total capital assets	<u>6,727,091</u>	<u>6,798,518</u>	<u>(71,427)</u>
Accumulated depreciation	<u>(4,648,238)</u>	<u>(4,551,391)</u>	<u>(96,847)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,078,853</u>	<u>\$ 2,247,127</u>	<u>\$ (168,274)</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, 2021 the District had obligations under capital leases for government activities of approximately \$535,800 of which approximately \$105,000 is due within one year.

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

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District introduced their 2022 budget on November 22, 2021. The voters subsequently voted to approve the budget at the February election. The 2022 adopted budget reflects an increase in the tax levy of \$41,050, in which the Board anticipates an increase of \$0.001 increase to the fire tax rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 1 of the Township of Ocean'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. 1 of the Township of Ocean, Katherine Strack, 10 Allen Street, Suite 3A, Toms River, New Jersey 08753.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
District Wide Statement of Net Position
December 31, 2021

	Governmental Activities	Component Unit
ASSETS		
Current assets:		
Cash (Note 3)	\$ 3,516,448	\$ 478,729
Cash held with trustee (Note 4)	535,846	-
Accounts receivable (Note 5)	6,558	265,697
Prepaid expenses	51,272	-
Total current assets	4,110,124	744,426
Non-current assets:		
Capital assets, net:		
Nondepreciable (Note 6)	108,249	-
Depreciable (Note 6)	1,970,604	26,063
Total capital assets	2,078,853	26,063
Total non-current assets	2,078,853	26,063
Total assets	6,188,977	770,489
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 8)	25,134	-
Deferred outflows related to other post employment benefits (Note 9)	379,313	-
Total deferred outflow of resources	404,447	-
Total assets and deferred outflows of resources	\$ 6,593,424	\$ 770,489

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
District Wide Statement of Net Position (continued)
December 31, 2021

	Governmental Activities	Component Unit
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 52,372	\$ 4,048
Accrued expenses	15,400	7,150
Accrued interest payable	1,975	-
Current portions of capital lease payable (Note 7)	105,004	-
Total current liabilities	174,751	11,198
Non-current liabilities:		
Capital lease payable, net of current portions (Note 7)	430,842	-
Compensated absences (Note 7)	28,846	-
Net pension liability (Note 8)	408,851	-
Net other postemployment benefits (Note 9)	1,534,841	-
Total non-current liabilities	2,403,380	-
Total liabilities	2,578,131	11,198
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 8)	454,834	-
Deferred inflows related to other post employment benefits (Note 9)	983,212	-
Total deferred inflows of resources	1,438,046	-
Total liabilities and deferred inflows of resources	4,016,177	11,198
NET POSITION		
Net investment in capital assets	1,543,007	-
Restricted for:		
Capital Projects	1,636,625	-
Unrestricted (Note 14)	(602,385)	759,291
Total net position	2,577,247	759,291
Total liabilities, deferred inflows of resources and net position	\$ 6,593,424	\$ 770,489

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
District Wide Statement of Activities
For the year ended December 31, 2021

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total Governmental Activities</u>	<u>Component Unit</u>
Governmental activities:				
Operating appropriations:				
Administration	\$ 388,961	\$ -	\$ 388,961	\$ 21,050
Costs of operations and maintenance	758,788	-	758,788	541,869
Operating appropriations offset with revenues	139,705	142,181	(2,476)	-
Appropriations for first aid squad	198,732	-	198,732	-
Interest expense	1,975	-	1,975	-
Total operating appropriations	<u>1,488,161</u>	<u>142,181</u>	<u>1,345,980</u>	<u>562,919</u>
General revenues:				
Miscellaneous revenue			17,273	652,063
Operating grant revenues			6,101	-
Amount raised by taxation			1,911,034	-
Total general revenues			<u>1,934,408</u>	<u>652,063</u>
Change in net position			588,428	89,144
Net position, January 1			<u>1,988,819</u>	<u>670,147</u>
Net position, December 31			<u>\$ 2,577,247</u>	<u>\$ 759,291</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Governmental Funds
Balance Sheet
December 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Current assets:				
Cash	\$ 3,516,448	\$ -	\$ -	\$ 3,516,448
Cash held with trustee	535,846	-	-	535,846
Accounts receivable	6,558	-	-	6,558
Other receivables	-	1,636,625	-	1,636,625
Total current assets	<u>4,058,852</u>	<u>1,636,625</u>	<u>-</u>	<u>5,695,477</u>
Total assets	<u>\$ 4,058,852</u>	<u>\$ 1,636,625</u>	<u>\$ -</u>	<u>\$ 5,695,477</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 52,372	\$ -	\$ -	\$ 52,372
Accrued expenses	15,400	-	-	15,400
Other payables	1,636,625	-	-	1,636,625
Total liabilities, equity and other credits	<u>1,704,397</u>	<u>-</u>	<u>-</u>	<u>1,704,397</u>
Fund balances				
Restricted for:				
Capital Projects	-	1,636,625	-	1,636,625
Assigned for:				
Subsequent year's expenditures	161,750	-	-	161,750
Unassigned	2,192,705	-	-	2,192,705
Total fund balance	<u>2,354,455</u>	<u>1,636,625</u>	<u>-</u>	<u>3,991,080</u>
Total liabilities and fund balance	<u>\$ 4,058,852</u>	<u>\$ 1,636,625</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the district wide statement of net position (A-1) are different because:

Prepaid expenses are reported in governmental funds as expenditures. However, in the district wide statement of net position, the cost of those assets is expensed. 51,272

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,727,091 the accumulated depreciation is \$4,648,238. 2,078,853

Accrued interest payable is not recorded in the fund financial statements due to the fact that payable is not due in the period. (1,975)

Deferred outflows and inflows of resources related to pensions, net other post employment benefits liability, net length of service awards program liability are applicable to future reporting periods and, therefore, are not reported in the funds. (1,033,599)

Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds. (2,508,384)

Net position of governmental activities \$ 2,577,247

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2021

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Miscellaneous revenues:				
Investment income - unrestricted cash and investments	\$ 6,711	\$ -	\$ -	\$ 6,711
Other revenue	10,562	-	-	10,562
Total miscellaneous revenues	17,273	-	-	17,273
Operating grant revenues:				
Supplemental fire service act	6,101	-	-	6,101
Total operating grant revenue	6,101	-	-	6,101
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act:				
Annual registration fees	36,025	-	-	36,025
Penalties and fines	54,763	-	-	54,763
Other revenues	51,393	-	-	51,393
Total uniform fire safety act	142,181	-	-	142,181
Total miscellaneous revenues offset with appropriations	142,181	-	-	142,181
Total revenues	165,555	-	-	165,555
Amount raised by taxation to support district budget	1,697,034	214,000	-	1,911,034
Total anticipated revenues	1,862,589	214,000	-	2,076,589
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	174,546	-	-	174,546
Fringe benefits	132,184	-	-	132,184
Other expenditures:				
Elections	3,886	-	-	3,886
Memberships and subscriptions	15,942	-	-	15,942
Office expense	7,585	-	-	7,585
Professional fees	47,439	-	-	47,439
Travel expenses	2,628	-	-	2,628
Total administration	384,210	-	-	384,210
Operating appropriations:				
Cost of operations and maintenance:				
Salaries and wages	52,804	-	-	52,804
Fringe benefits	135,540	-	-	135,540
Other expenditures:				
Advertising	879	-	-	879
Expense reimbursement	15,796	-	-	15,796
Insurance	36,043	-	-	36,043
Maintenance and repairs	163,156	-	-	163,156
Operating materials and supplies	26,110	-	-	26,110
Other non-bondable assets	3,547	-	-	3,547
Outside services	43,410	-	-	43,410
Permits, licenses, fees and registrations	270	-	-	270
Professional services - District doctor	1,060	-	-	1,060
Promotions	2,761	-	-	2,761
Rental charges	202,708	-	-	202,708
Supplemental fire service grant	6,101	-	-	6,101
Training and education	21,940	-	-	21,940
Travel expenses	5,155	-	-	5,155
Uniforms and personal equipment	9,142	-	-	9,142
Utilities	55,451	-	-	55,451
Total cost of operations and maintenance	781,873	-	-	781,873

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
For the year ended December 31, 2021

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Operating appropriations offset with revenues:				
Salaries and Wages	110,200	-	-	110,200
Fringe Benefits	24,245	-	-	24,245
Other Expenditures:				
Other expenses	5,260	-	-	5,260
Total operating appropriations offset with revenues	<u>139,705</u>	<u>-</u>	<u>-</u>	<u>139,705</u>
Appropriations for first aid squad	<u>198,732</u>	<u>-</u>	<u>-</u>	<u>198,732</u>
Capital appropriations	<u>-</u>	<u>56,990</u>	<u>-</u>	<u>56,990</u>
Total operating appropriations	<u>1,504,520</u>	<u>56,990</u>	<u>-</u>	<u>1,561,510</u>
Excess (efficiency) of revenues over (under) expenditures before other financing sources/(uses)	<u>358,069</u>	<u>157,010</u>	<u>-</u>	<u>515,079</u>
Other financing sources (uses):				
Proceeds from capital leases	-	535,846	-	535,846
Transfer to Capital Projects Fund from the General Fund	<u>(36,000)</u>	<u>36,000</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(36,000)</u>	<u>571,846</u>	<u>-</u>	<u>535,846</u>
Excess (efficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	322,069	728,856	-	1,050,925
Fund balance, January 1	<u>2,032,386</u>	<u>907,769</u>	<u>-</u>	<u>2,940,155</u>
Fund balance, December 31	<u>\$ 2,354,455</u>	<u>\$ 1,636,625</u>	<u>\$ -</u>	<u>\$ 3,991,080</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Funds to the District Wide Statement of Activities
December 31, 2021

Total net changes in Fund Balance - Governmental Funds (B-2) \$ 1,050,925

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

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.

	Prior year	(33,157)	
	Current year	<u>51,272</u>	
			18,115

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.

	Capital Outlays - General Fund	31,991	
	Capital Outlays - Capital Projects Fund	56,990	
	Depreciation expense	<u>(257,255)</u>	
			(168,274)

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

	Prior year	-	
	Current year	<u>(1,975)</u>	
			(1,975)

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

(535,846)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Funds to the District Wide Statement of Activities (continued)
December 31, 2021

In the district wide statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid this year, the increase in sick leave paid was \$4,751.

(4,751)

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 benefit (expense), which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the district wide statement of activities.

Pension benefit 160,575

160,575

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 post employment 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.

Other postemployment benefit credit 69,659

69,659

Changes in net position of governmental activities

\$ 588,428

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements
For the year ended December 31, 2021

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

Fire District No. 1 of the Township of Ocean (hereafter referred to as the “District”) is a political subdivision of the Township of Ocean, County of Monmouth, State of New Jersey (the “State”). A board of five commissioners oversees all of the operations of the District. The length of each commissioner’s term is three years with the annual election held the third Saturday of 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 District is legally separate (can sue or be sued in their own name);
- the District holds the corporate powers of the organization;
- the District appoints a voting majority of the organization’s board;
- the District is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the District;
- there is a fiscal dependency by the organization on the District.

According to the criteria described above, there is one additional entity required to be included in the reporting entity (see Note 10). The District is not includable in any other reporting entity on the basis of such criteria.

District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2021:

<u>Officials:</u>	<u>Term Expires</u>
Andrew Beringer	2023
Stuart A. Newman	2024
John Morrow	2024
Thomas C. Reu	2022
Russel E. Williams	2022

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. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

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 had a component unit as of the year ended December 31, 2021, see Note 10 for additional information.

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 District's accounting policies are described below.

The district-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally 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 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. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

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.

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Wide and Fund Financial Statements (continued)

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

Amendments may be made to the District budget in accordance with *N.J.S.A 40A: 14-78.3*. 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. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

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. As of December 31, 2021, there were no encumbrances.

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. Fire Districts are required by *N.J.S.A. 40A: 5-14* to deposit public funds in a bank or trust company having its place of business in the State organized under the laws of the United States or of the State 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. However, GUDPA does not protect intermingled trust funds such as funds that may pass to the District relative to the happening of a future condition, such funds are shown as uninsured and uncollateralized, see Note 3 for additional information.

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.

Accounts Receivable

Accounts receivable represents amounts due from registration fees associated with the District's fire prevention bureau. The District evaluates its receivables to determine if any portion is uncollectable. Management has determined all receivables to be collectible for the year ended December 31, 2021.

Prepaid Expenses

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

Debt Limitation

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include, land, building, improvements, equipment, 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 \$1,000.

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:

Buildings and improvements	5 to 40 years
Machinery and equipment	5 to 10 years
Office furniture and equipment	5 years
Vehicles and apparatus	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 Receivable/Payable

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.

Compensated Absences

The District's employees are entitled to sick leave. Unused sick leave may be accumulated up to a maximum of 720 hours and may be carried forward to subsequent years. Upon termination of employment for any reason, an employee shall be paid for accrued, unused sick time, up to 240 hours. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget. The liability for vested compensated absences is recorded as a non-current liability in the governmental activities fund. The current portion of the compensated absence balance is not considered material to the applicable fund's total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

Revenues and Expenditures

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity (continued)

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

Net Position

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

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

Use of Estimates

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

Impact of Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

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.

Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2021 through the date of February 7, 2023, which is the date the financial statements were available to be issued.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 3: CASH

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

Type	Carrying Value
Deposits:	
Demand deposits	\$ 3,516,846
Cash held with trustee	<u>535,846</u>
Total deposits	<u>\$ 4,101,079</u>
 Reconciliation to the Governmental funds:	
Governmental Funds	<u>\$ 4,101,079</u>
Total	<u>\$ 4,101,079</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, the District's bank balance of \$4,101,079 was exposed to custodial credit risk as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	3,315,233
Uninsured and uncollateralized	<u>535,846</u>
Total	<u>\$ 4,101,079</u>

NOTE 4: CASH HELD WITH TRUSTEE

Cash held with trustee consists of amounts held with financial institutions that is legally restricted for the purchase of a fire apparatus, such funds are uninsured and uncollateralized. As of December 31, 2021, the District had \$535,846 in cash held with trustees.

NOTE 5: ACCOUNTS RECEIVABLE

As of December 31, 2021, accounts receivables consisted of the following:

Local fees	\$ <u>6,558</u>
Total	<u>\$ 6,558</u>

NOTE 6: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for fire districts, and the *N.J.S.A. 40A: 14-85-87* governs procedures for the issuance of any debt related to such purchases. In summary, 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 6: CAPITAL ASSETS (continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets:				
Non-depreciable assets:				
Construction in progress	\$ 62,254	\$ -	\$ (62,254)	\$ -
Land	108,249	-	-	108,249
Total non-depreciable assets	<u>170,503</u>	<u>-</u>	<u>(62,254)</u>	<u>108,249</u>
Depreciable assets:				
Building and improvements	2,709,058	131,476	(8,708)	2,831,826
Machinery and equipment	983,080	-	(11,700)	971,380
Office Furniture equipment	47,530	-	-	47,530
Vehicles and apparatus	2,888,347	19,759	(140,000)	2,768,106
Total depreciable assets	<u>6,628,015</u>	<u>151,235</u>	<u>(160,408)</u>	<u>6,618,842</u>
Total capital assets	<u>6,798,518</u>	<u>151,235</u>	<u>(222,662)</u>	<u>6,727,091</u>
Less: accumulated depreciation:				
Building and improvements	(1,821,062)	(92,118)	8,708	(1,904,470)
Machinery and equipment	(839,609)	(35,298)	11,700	(863,207)
Office Furniture equipment	(47,530)	-	-	(47,530)
Vehicles and apparatus	(1,843,190)	(129,839)	140,000	(1,833,029)
Total accumulated depreciation	<u>(4,551,391)</u>	<u>(257,255)</u>	<u>160,408</u>	<u>(4,648,238)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,247,127</u>	<u>\$ (106,020)</u>	<u>\$ (62,254)</u>	<u>\$ 2,078,853</u>

NOTE 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2021, 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>
Capital leases payable	\$ -	\$ 535,846	\$ -	\$ 535,846	\$ 105,004
Compensated absences	24,095	4,751	-	28,846	-
Net pension liability	699,327	-	(290,476)	408,851	-
Net other postemployment benefit liability	<u>1,722,336</u>	<u>(187,495)</u>	<u>-</u>	<u>1,534,841</u>	<u>-</u>
Total	<u>\$ 2,445,758</u>	<u>\$ 353,102</u>	<u>\$ (290,476)</u>	<u>\$ 2,508,384</u>	<u>\$ 105,004</u>

Capital Lease

On July 26, 2021 the District adopted a resolution approving the purchase of a new fire apparatus in the amount of \$735,846. Whereas, the District will provide a \$200,000 down payment from available funds and finance the balance of \$535,846 through a five-year lease purchase agreement with an interest rate of 1.188%.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Capital Lease (continued)

The lease purchase agreement matures on September 1, 2026. The future minimum lease payments are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 105,004	\$ 5,924	\$ 110,928
2023	105,810	5,118	110,928
2024	107,067	3,861	110,928
2025	108,339	2,590	110,929
2026	<u>109,626</u>	<u>1,302</u>	<u>110,928</u>
Total	<u>\$ 535,846</u>	<u>\$ 18,795</u>	<u>\$ 554,641</u>

NOTE 8: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) 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 PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>. The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 8: PENSION OBLIGATIONS (continued)

Plan Description (continued)

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS 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.

Contributions

The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2021, the State's pension contribution was less than the actuarial 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 PERS 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, 2021, the District's contractually required contribution to PERS plan was \$40,418.

Components of Net Pension Liability

At December 31, 2021, the District's proportionate share of the PERS net pension liability was \$408,851. The net pension liability was measured as of June 30, 2021. 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, 2020, which was rolled forward to June 30, 2021. 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 June 30, 2020. The District's proportion measured as of June 30, 2021, was 0.0034512373% which was a decrease of 0.0008371688% from its proportion measured as of June 30, 2020.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 8: PENSION OBLIGATIONS (continued)

Components of Net Pension Liability

Balances at December 31, 2021 and December 31, 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
Actuarial valuation date (including roll forward)	June 30, 2021	June 30, 2020
Deferred Outflows of Resources	\$ 25,134	\$ 84,853
Deferred Inflows of Resources	484,834	384,652
Net Pension Liability	408,851	699,327
District's portion of the plan's total Net Pension Liability	0.00345%	0.00429%

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

At December 31, 2021, the District's proportionate share of the PERS (benefit) expense, calculated by the plan as of the June 30, 2021 measurement date is \$(120,158). At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,448	\$ 2,927
Changes of Assumptions	2,129	145,554
Net difference between projected and actual earnings on pension plan investments	-	107,702
Changes in proportion and differences between the District's contributions and proportion share of contributions	16,557	198,651
	<u>\$ 25,134</u>	<u>\$ 454,834</u>

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 8: PENSION OBLIGATIONS (continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	5.13	-
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	-	5.13
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	-
June 30, 2021	5.00	-

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 8: PENSION OBLIGATIONS (continued)

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

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

Year of Pension Plan Deferral:

June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ (174,961)
2023	(124,085)
2024	(83,067)
2025	(35,369)
2026	<u>(12,218)</u>
Total	<u>\$ (429,700)</u>

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	2.00% - 6.00% Based on Age
Thereafter	3.00% - 7.00% Based on Age
Investment Rate of Return	7.00%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 8: PENSION OBLIGATIONS (continued)

Actuarial Assumptions (continued)

Mortality Rate Table	Pub-2010 General Below – Median Income Employee Mortality table fully generational mortality improvement projections from the central year using Scale MP- 2021
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% 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 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 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, 2021) 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 PERS’s target asset allocation as of June 30, 2021 are summarized in the following table:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 8: PENSION OBLIGATIONS (continued)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Credit	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 the 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1 % Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District’s proportionate share of the Net Pension Liability	\$ <u>562,707</u>	\$ <u>408,851</u>	\$ <u>286,339</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (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 (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2021 were \$3,872,142,278 and \$14,177,910,609, respectively. 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, 2020 through June 30, 2021. 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 components of the collective net OPEB liability of the plan as of June 30, 2021 is as follows:

Total OPEB Liability	\$ 18,050,052,887
Plan fiduciary net position	<u>50,271,652</u>
 Net OPEB liability	 <u>\$ 17,999,781,235</u>

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability (continued)

Inflation	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future periods	3.25% to 15.25%
Mortality Rate Table:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

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

Actuarial assumptions used in the July 1, 2020 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.

OPEB Obligation and OPEB (Benefit) Expense

The District's proportionate share of the total Other Post-Employment Benefits Obligations was \$1,534,841. The OPEB Obligation was measured as of June 30, 2021, 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, 2021. The State's proportionate share of the OPEB Obligation associated with the District was based on projection of the State's long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating entities, actuarially determined. At June 30, 2021, the State proportionate share of the OPEB Obligation attributable to the District was 0.008527%, which was a decrease of 0.00107% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2021, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(38,715) for the State's proportionate share of the OPEB (benefit) expense attributable to the District. This OPEB (benefit) expense was based on the OPEB plans June 30, 2021 measurement date.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2021 was 2.16%. 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, 2021, 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% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% increase</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the District	\$ 1,280,575	\$ 1,534,841	\$ 1,866,628
State of New Jersey's Total Nonemployer OPEB Liability	\$ 15,017,879,689	\$ 17,999,781,235	\$ 21,890,793,528

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2021, 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:

	<u>At 1% Decrease</u> <u>(1.16%)</u>	<u>At Discount Rate</u> <u>(2.16%)</u>	<u>At Discount Rate</u> <u>(3.16%)</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the District	\$ 1,806,214	\$ 1,534,841	\$ 1,319,773
State of New Jersey's Total Nonemployer OPEB Liability	\$ 21,182,289,882	\$ 17,999,781,235	\$ 15,477,574,697

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, 2021:

Balances at December 31, 2021 and December 31, 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
Actuarial valuation date (including roll forward)	June 30, 2021	June 30, 2020
Deferred Outflows of Resources	\$ 379,313	\$ 449,453
Deferred Inflows of Resources	983,212	935,516
Net OPEB Liability	1,534,841	1,722,336
District's portion of the Plan's total net OPEB Liability	0.00853%	0.00960%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Deferred Outflows/Inflows of Resources

At December 31, 2021, the District's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2021 measurement date is \$379,313 and \$983,212, respectively. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 34,440	\$ 321,111
Changes of Assumptions	220,792	271,301
Net Difference between Projected and Actual Earnings on Pension	734	-
Changes in Proportion	123,347	390,800
	\$ 379,313	\$ 983,212

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:

Year Ending Dec 31,	
2022	\$ (155,303)
2023	(155,381)
2024	(155,500)
2025	(100,154)
2026	(40,272)
2027-2029	2,711
	\$ (603,899)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (continued)

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 7.82, 7.87, 8.05, 8.14 and 8.04 years for the 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

Plan Membership

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

Active Plan Members	64,243
Retirees Currently Receiving Benefits	<u>32,624</u>
 Total Plan Members	 <u>96,867</u>

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the measurement date June 30, 2021 is as follows:

Service Cost	\$	846,075,674
Interest on the Total OPEB Liability		413,837,061
Changes of Benefit Terms		2,029,119
Differences Between Expected and Actual Experience		(1,196,197,410)
Changes of Assumptions		339,165,715
Contributions from the Employer		(325,097,477)
Contributions from Non-Employer Contributing Entities		(37,777,433)
Net Investment Income		(201,343)
Administrative Expenses		<u>11,334,383</u>
 Net Change in Total OPEB Liability		 53,168,289
 Total OPEB Liability (Beginning)		 <u>17,946,612,946</u>
 Total OPEB Liability (Ending)		 <u>\$ 17,999,781,235</u>

NOTE 10: COMPONENT UNIT

On October 21, 2011, Oakhurst E.M.S., Inc., a 501(c)(3) corporation was formed. Oakhurst E.M.S., Inc. began operations on August 1, 2012. Paid EMS technicians respond to calls for assistance for twelve hours per day (6 am - 6 pm) and volunteers respond to calls for the remaining twelve hours (6 pm - 6 am). Billings for services are sent to the recipients of assistance only when the paid EMS technicians respond. Ambulances, equipment and the building are shared by the paid technicians and the volunteers.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 10: COMPONENT UNIT (continued)

The five (5) Commissioners of the District are the 5 members of the Board of Trustees of Oakhurst E.M.S., Inc. Because the board members are the same on both boards, Oakhurst E.M.S., Inc. is considered a component unit of the District and is discretely presented in the District’s financial statements. Detailed financial statements for Oakhurst E.M.S., Inc. are available from the administrative office located at 72 Larkin Place, Oakhurst, New Jersey, 07755.

NOTE 11: FUNDING

The activities of the Board of Commissioners 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, 2021, the fire tax rate on the District was approximately \$.051 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 supplemental fire services grant of approximately \$6,101.

NOTE 12: OTHER RECEIVABLES/PAYABLES

Other receivable and payables are interfunds whose purpose is for short-term borrowing. As of December 31, 2021, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 1,636,625
Capital Projects Fund	1,636,625	-
Totals	<u>\$ 1,636,625</u>	<u>\$ 1,636,625</u>

Other receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental statement of net position, except for the net residual amounts due between governmental and district wide, which are presented as internal balances in the district wide statement of net position.

NOTE 13: FUND BALANCE

General Fund – Of the \$2,354,455 General Fund balance at December 31, 2021, \$161,750 is assigned for subsequent years expenditures and \$2,192,705 is unassigned.

Capital Projects Fund – Of the \$1,636,625 Capital Projects Fund balance at December 31, 2021 \$1,636,625 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Notes to Financial Statements (continued)
For the year ended December 31, 2021

NOTE 14: DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, district wide statement of net position, a deficit in unrestricted net position of \$(602,385) existed as of December 31, 2021 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension and long-term liability of other postretirement benefits obligations. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, district wide statement of net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place.

If this was not required, the unrestricted net position before the net pension liability and net other postemployment benefit liability obligations and deferred outflows and inflows related to pensions and other postemployment benefits would be \$2,374,906 as of December 31, 2021. This deficit in unrestricted net position does not indicate that the District is facing financial difficulties.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Budgetary Comparison Schedule
For the year ended December 31, 2021

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous revenues:				
Investment income	\$ 10,000	\$ 10,000	\$ 6,711	\$ (3,289)
Other revenue	1,000	1,000	10,562	9,562
Total miscellaneous revenues	<u>11,000</u>	<u>11,000</u>	<u>17,273</u>	<u>6,273</u>
Operating grant revenues:				
Supplemental fire service act	6,101	6,101	6,101	-
Total operating grant revenue	<u>6,101</u>	<u>6,101</u>	<u>6,101</u>	<u>-</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act:				
Annual registration fees	81,350	81,350	36,025	(45,325)
Penalties and fines	-	-	54,763	54,763
Other revenues	52,650	52,650	51,393	(1,257)
Total uniform fire safety act	<u>134,000</u>	<u>134,000</u>	<u>142,181</u>	<u>8,181</u>
Total miscellaneous revenues offset with appropriations	<u>134,000</u>	<u>134,000</u>	<u>142,181</u>	<u>8,181</u>
Total revenues	<u>151,101</u>	<u>151,101</u>	<u>165,555</u>	<u>14,454</u>
Amount raised by taxation to support district budget	<u>1,911,034</u>	<u>1,911,034</u>	<u>1,911,034</u>	<u>-</u>
Total anticipated revenues	<u>2,062,135</u>	<u>2,062,135</u>	<u>2,076,589</u>	<u>14,454</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	191,500	191,500	174,546	16,954
Fringe benefits	124,056	124,056	132,184	(8,128)
Other expenditures:				
Elections	3,200	3,200	3,886	(686)
Memberships and subscriptions	16,650	16,650	15,942	708
Office expense	12,250	12,250	7,585	4,665
Professional fees	98,600	98,600	47,439	51,161
Travel expenses	14,000	14,000	2,628	11,372
Total administration	<u>460,256</u>	<u>460,256</u>	<u>384,210</u>	<u>76,046</u>
Cost of operations and maintenance:				
Salaries and wages	55,000	55,000	52,804	2,196
Fringe benefits	146,228	146,228	135,540	10,688
Other expenditures:				
Advertising	2,000	2,000	879	1,121
Expense reimbursement	26,000	26,000	15,796	10,204
Insurance	65,000	65,000	36,043	28,957
Maintenance and repairs	247,050	247,050	163,156	83,894
Operating materials and supplies	36,299	36,299	26,110	10,189
Other non-bondable assets	101,101	101,101	3,547	97,554
Outside services	51,000	51,000	43,410	7,590
Permits, licenses, fees and registrations	500	500	270	230
Professional services - District doctor	3,500	3,500	1,060	2,440
Promotions	5,000	5,000	2,761	2,239
Rental charges	205,000	205,000	202,708	2,292
Supplemental fire service grant	6,101	6,101	6,101	-
Training and education	15,500	15,500	21,940	(6,440)
Travel expenses	14,900	14,900	5,155	9,745
Uniforms and personal equipment	37,500	37,500	9,142	28,358
Utilities	70,700	70,700	55,451	15,249
Total cost of operations and maintenance	<u>1,088,379</u>	<u>1,088,379</u>	<u>781,873</u>	<u>306,506</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2021

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Operating appropriations offset with revenues:				
Salaries and Wages	117,000	117,000	110,200	6,800
Fringe Benefits	16,000	16,000	24,245	(8,245)
Other Expenditures:				
Other expenses	1,000	1,000	5,260	(4,260)
Total operating appropriations offset with revenues	<u>134,000</u>	<u>134,000</u>	<u>139,705</u>	<u>(5,705)</u>
Appropriations for first aid squad	<u>165,500</u>	<u>165,500</u>	<u>198,732</u>	<u>(33,232)</u>
Capital appropriations	<u>250,000</u>	<u>250,000</u>	<u>56,990</u>	<u>193,010</u>
Total operating appropriations	<u>2,098,135</u>	<u>2,098,135</u>	<u>1,561,510</u>	<u>536,625</u>
Excess (efficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(36,000)</u>	<u>(36,000)</u>	<u>515,079</u>	<u>(522,171)</u>
Other financing sources (uses):				
Proceeds from capital leases	<u>-</u>	<u>-</u>	<u>535,846</u>	<u>(535,846)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>535,846</u>	<u>(535,846)</u>
Excess (efficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(36,000)</u>	<u>(36,000)</u>	<u>1,050,925</u>	<u>(1,058,017)</u>
Fund balance, January 1	<u>2,940,155</u>	<u>2,940,155</u>	<u>2,940,155</u>	<u>-</u>
Fund balance, December 31	<u>\$ 2,904,155</u>	<u>\$ 2,904,155</u>	<u>\$ 3,991,080</u>	<u>\$ (1,058,017)</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Last Nine Fiscal Years *

	Measurement Date Ended June 30,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.00345%	0.00429%	0.00422%	0.00414%	0.00487%	0.00509%	0.00495%	0.00468%	0.00468%
District's Proportionate Share of the Net Pension Liability	\$ 408,851	\$ 408,851	\$ 761,118	\$ 815,945	\$ 1,134,227	\$ 1,506,551	\$ 1,112,201	\$ 875,900	\$ 893,938
District's Covered-Employee Payroll	\$ 294,811	\$ 286,448	\$ 299,364	\$ 314,447	\$ 357,995	\$ 348,395	\$ 339,208	\$ 324,384	\$ 273,996
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	138.68%	142.73%	254.24%	259.49%	316.83%	432.43%	327.88%	270.02%	326.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

* 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. 1 OF THE TOWNSHIP OF OCEAN
 Schedule of District Contributions
 Public Employee's Retirement System
 Last Nine Fiscal Years *

	Year Ended December 31,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	
District's Contractually Required Contribution	\$ 40,418	\$ 46,913	\$ 41,088	\$ 41,220	\$ 45,138	\$ 45,190	\$ 42,596	\$ 38,567	\$ 35,243	
District's Contribution in Relation to the Contractually Required Contribution	(40,418)	(46,913)	(41,088)	(41,220)	(45,138)	(45,190)	(42,596)	(38,567)	(35,243)	
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's Covered-Employee Payroll	\$ 306,267	\$ 294,811	\$ 286,448	\$ 299,364	\$ 314,447	\$ 357,995	\$ 348,395	\$ 339,208	\$ 324,384	
District's Contributions as a Percentage of it's Covered-Employee Payroll	13.20%	15.91%	14.34%	13.77%	14.35%	12.62%	12.23%	11.37%	10.86%	

* 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. 1 OF THE TOWNSHIP OF OCEAN
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability
Last Six Fiscal Years *

	Measurement Date Ended June 30,					
	2021	2020	2019	2018	2017	2016
District's Proportion of the Other Postemployment Benefit Liability (asset)	0.00853%	0.00960%	0.00894%	0.00966%	0.00953%	0.01053%
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset)	\$ 1,534,841	\$ 1,722,336	\$ 1,211,290	\$ 1,512,769	\$ 1,945,829	\$ 2,287,501
District's Covered-employee Payroll	\$ 294,811	\$ 286,448	\$ 299,364	\$ 314,447	\$ 357,995	\$ 348,395
District's Proportionate Share of the Net Other Postemployment Benefit Liability (asset) as a Percentage of its Covered-employee payroll	520.62%	601.27%	404.62%	481.09%	543.54%	656.58%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefit Liability	0.28%	0.91%	1.98%	1.97%	0.00%	0.00%

* 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. 1 OF THE TOWNSHIP OF OCEAN
Notes to the Required Supplementary Information
December 31, 2021

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

The June 30, 2021 measurement date includes one change in plan provisions as Chapter 140, P.L. 2021 reopened the Worker's Compensation Judges (WCJ) Part of PERS and transferred WCJs from the Defined Contribution Retirement Program (DCRP) and regular part of PERS into the WCJ Part of PERS.

Changes of Assumptions

The discount rate used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	5.66%	2015	4.90%
2020	7.00%	2017	5.00%	2014	5.39%
2019	6.28%	2016	3.98%		

The long-term expected rate of return used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	7.00%	2015	7.90%
2020	7.00%	2017	7.00%	2014	7.90%
2019	7.00%	2016	7.65%		

The mortality assumption was updated upon the direction from the Division of Pensions and Benefits.

Other Post-Employment Benefits (OPEB)

Changes in Benefits

The increase in benefit terms from June 30, 2020 to June 30, 2021 was a result of employers adopting and or changing 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, 2020 to June 30, 2021 was a result of changes to the census, claims and premiums experience.

Changes of Assumptions

The increase in changes in assumptions from June 30, 2020 to June 30, 2021 is a result of a change in the discount rate, trend update, and the mortality projection scale update.

The discount rate used as of June 30, measurement date for the last six fiscal years is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	2.16%	2018	3.87%
2020	2.21%	2017	3.58%
2019	3.50%	2016	2.85%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN
 Long-Term Debt
 Schedule of Obligations Under Capital Leases
 For the year ended December 31, 2021

Description	Date of Lease	Term of Lease	Amount of Original Issue		Annual Maturities		Interest Rate Payable	Amount Outstanding January 1, 2021	Issued	Retired	Amount Outstanding December 31, 2021
			Principal	Interest	Date	Amount					
Ferrara Cinder Heavy Duty Pumper	July 26, 2021	5 Yrs.	\$ 535,846	\$ 18,795	September 1, 2022	\$ 105,004	1.188%	\$ -	\$ 535,846	\$ -	\$ 535,846
					September 1, 2023	105,810	1.188%				
					September 1, 2024	107,067	1.188%				
					September 1, 2025	108,339	1.188%				
					September 1, 2026	109,626	1.188%				
					Total			\$ -	\$ 535,846	\$ -	\$ 535,846



Board of Fire Commissioners
Fire District No. 1 of the Township of Ocean
County of Monmouth
Ocean, New Jersey

We have audited the basic financial statements of the Fire District No. 1 of the Township of Ocean (hereafter referred to as the "District"), County of Monmouth, State of New Jersey for the year ended December 31, 2021. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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

Review of the minutes and financial transactions identified the following bids requested by public advertising and awarded by resolution; lease purchase agreement.

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

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

Contracts and Agreements Requiring Solicitation of Quotations

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

Examination of Cash Receipts

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

Capital Assets

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

Examination of Bills

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

Examination of Payroll

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

Budget Adoption

The State of New Jersey requires that the District's operating and capital budgets be approved and adopted for each fiscal year. The District approved its operating budget on November 30, 2020 and adopted its operating budget on December 28, 2020.

Current Year Finding

There were no current year findings.

Follow-Up of Prior Year's Findings

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

Acknowledgment

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

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

February 7, 2023
Lakewood, New Jersey