

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**

**Financial Statements and Supplementary Information**

**For the year ended December 31, 2022  
(With Independent Auditor's Report Thereon)**

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Borough of Tinton Falls Fire District No. 2  
County of Monmouth  
Borough of Tinton Falls, New Jersey

### Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Borough of Tinton Falls Fire District No. 2 (hereafter referred to as the District), County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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 opinion.

### Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

### **Emphasis of Matter**

#### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, during the year ended December 31, 2022 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the accompanying long-term schedule of obligations under lease obligations 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 August 30, 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*

August 30, 2023  
Lakewood, New Jersey



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

Board of Fire Commissioners  
Borough of Tinton Falls Fire District No. 2  
County of Monmouth  
Borough of Tinton Falls, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Borough of Tinton Falls Fire District No. 2 (hereafter referred to as the District) County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated August 30, 2023.

**Report on 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) as a basis for designing 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on 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*

August 30, 2023  
Lakewood, New Jersey

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

As management of the Borough of Tinton Falls Fire District No. 2 (hereafter referred to as the District) offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended, December 31, 2022. The intent of this narrative is to look at the District's overall financial performance in terms easily understood by the layperson. Please read this in conjunction with the District's financial statements which begin on page 13. Notes to the financial statements will provide the reader with additional useful information and they begin on page 18.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at December 31, 2022 by approximately \$3,673,500. During, 2021 the excess of assets and over liabilities was approximately \$3,566,700. This is an increase of approximately \$106,900.
- During 2022 the District operated at a surplus of approximately \$106,900. During 2021 the District operated at a surplus of approximately \$143,200. This is a decrease of approximately \$36,300.
- The District's liabilities increased approximately \$682,300 in 2022 and the assets increased by approximately \$789,200.
- As described in Note 2 to the financial statements the District has adopted the provisions of GASB Statement to No. 87, *Leases*, for the year ended December 31, 2022. The adoption of this statement resulted the District recognizing right-of-use assets of \$903,592 in exchange for right-of-use liabilities of \$917,576.

**USING THIS ANNUAL REPORT**

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

**Reporting on the District as a Whole**

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



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

The district wide financial statements report on the financial data by function. The District has one basic function: activities that are supported by property taxes. The District provides firefighting services to the citizens within the jurisdiction of the Borough of Tinton Falls Fire District No. 2.

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

### **Notes to Financial Statements**

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

**DISTRICT WIDE FINANCIAL ANALYSIS**

The District's net position is a useful indicator of the District's financial condition. At the end of 2022, the District's assets exceeded its liabilities by approximately \$3,673,500. 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.

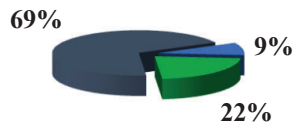
**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2  
DISTRICT WIDE STATEMENT OF NET POSITION  
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and noncurrent assets	\$ 3,788,648	\$ 3,207,216	\$ 581,432	18.13%
Capital assets, net	<u>2,527,146</u>	<u>2,319,400</u>	<u>207,746</u>	8.96%
Total assets	6,315,794	5,526,616	789,178	14.28%
Total liabilities	<u>2,642,255</u>	<u>1,959,958</u>	<u>(682,297)</u>	34.81%
Net position	<u><u>\$ 3,673,539</u></u>	<u><u>\$ 3,566,658</u></u>	<u><u>\$ 106,881</u></u>	3.00%

**Analysis of net position**

Investment in capital assets	\$ 2,527,146	\$ 2,319,400	\$ 207,746	8.96%
Restricted for:				
Capital projects	329,385	677,568	(348,183)	(51.39%)
Unrestricted	<u>817,008</u>	<u>569,690</u>	<u>247,318</u>	43.41%
Total net position	<u><u>\$ 3,673,539</u></u>	<u><u>\$ 3,566,658</u></u>	<u><u>\$ 106,881</u></u>	3.00%

**2022 Net Position**



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

**2021 Net Position**



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

The net position of the District increased approximately \$106,900 as a result of a current year surplus. In 2022 the capital assets increased by approximately \$207,700 after depreciation expense.

**DISTRICT WIDE FINANCIAL ANALYSIS (continued)**

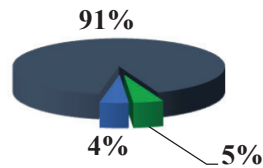
**Governmental Activities**

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

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2  
DISTRICT WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022 AND 2021**

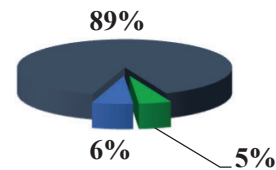
	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 38,670	\$ 50,650	\$ (11,980)	(23.65%)
Cost of operations and maintenance	799,646	729,615	70,031	9.60%
Length of service awards program contribution	40,639	40,256	383	0.95%
Total program expenses	<u>\$ 878,955</u>	<u>\$ 820,521</u>	<u>\$ 58,434</u>	7.12%

**2022 Program Expenses**



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

**2021 Program Expenses**

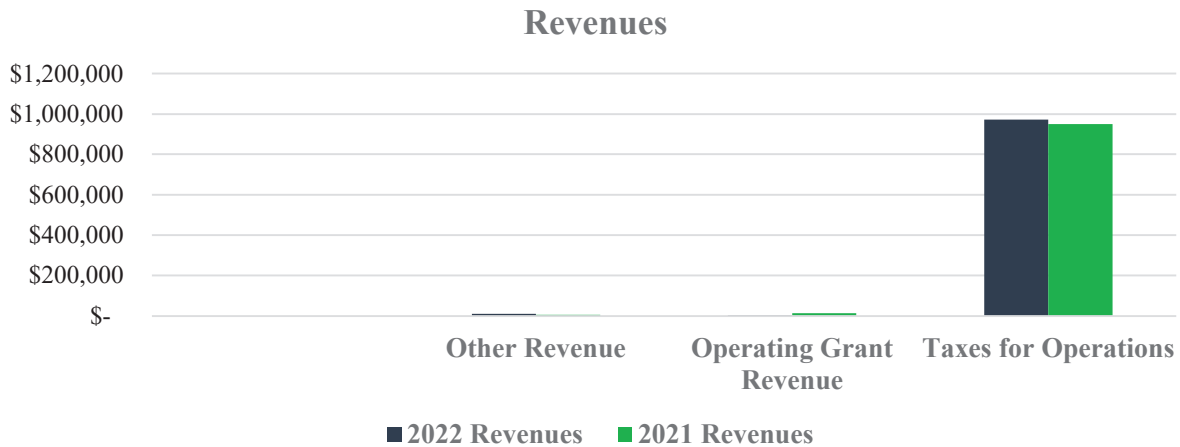


- Administrative
- Cost of Operations
- Length of Service Awards Program

**DISTRICT WIDE FINANCIAL ANALYSIS (continued)**

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2  
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)  
YEAR ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
General revenues:				
Property taxes levied for:				
General purposes	\$ 973,875	\$ 951,500	\$ 22,375	2.35%
Other revenue	9,531	9,757	(226)	(2.32%)
Operating grant revenue	<u>2,430</u>	<u>2,430</u>	<u>-</u>	0.00%
Total general revenues	985,836	963,687	22,149	2.30%
Increase in net position	106,881	143,166	(36,285)	(25.34%)
Net position, January 1	<u>3,566,658</u>	<u>3,423,492</u>	<u>143,166</u>	4.18%
Net position, December 31	<u><u>\$ 3,673,539</u></u>	<u><u>\$ 3,566,658</u></u>	<u><u>\$ 106,881</u></u>	3.00%



Property tax revenue constituted 99% of the total governmental activities revenues received by the District in 2022 and 98% 2021.

The Cost of Operations & Maintenance comprised 91% and 89% of the District's total expenses in 2022 and 2021, respectively. Administration expenses comprised 4% and 6% of the total expenses in 2022 and 2021, respectively.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

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

### **Governmental Fund**

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

As of December 31, 2022, the combined balance of the governmental cash funds of the District was approximately \$1,237,800. This balance is approximately \$206,800 higher than last year's combined governmental funds balance.

The combined fund balance of the governmental fund of the District was approximately \$2,711,600. Of that total, funds of approximately \$329,400 have been restricted for capital, \$1,619,600 have been restricted for investment in length of service awards program, \$4,700 have assigned for other purposes (encumbrances) and \$758,000 is unassigned.

The general fund is the main operating fund of the District. At the end of 2022, the total fund balance of the general fund was approximately \$2,382,200. Of this balance, approximately \$758,000 of it was unassigned.

At the end of 2022 the general fund balance of the District decreased by approximately \$900. The primary reason for this decreased are as follows:

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

At the end of 2022, the District had a capital projects fund balance of approximately \$329,400. This is a decrease of \$348,200. The primary reason for this decrease are as follows:

- The Board recognized expenses in excess of revenues of approximately \$348,200.

### **General Fund Budgetary Highlights**

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

- The District recognized actual revenues in excess of budgeted revenues of approximately \$9,200 in 2022.
- Overall, the District's expenditures were approximately \$98,600 more than originally anticipated in the operating budget for 2022.

**CAPITAL ASSETS**

As of December 31, 2022 the District had invested in capital assets for government activities of approximately \$2,527,100 (net of accumulated depreciation). Capital assets consist of equipment and vehicles and apparatus.

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2  
CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>	<u>\$ Increase (Decrease)</u>
Capital Assets:			
Non-depreciable:			
Construction in progress	\$ -	\$ 639,000	\$ (639,000)
Total non-depreciable assets	<u>-</u>	<u>639,000</u>	<u>(639,000)</u>
Depreciable:			
Equipment	1,386,662	1,319,097	67,565
Vehicles and apparatus	<u>4,475,967</u>	<u>3,488,784</u>	<u>987,183</u>
Total depreciable assets	<u>5,862,629</u>	<u>4,807,881</u>	<u>1,054,748</u>
Accumulated depreciation	<u>(3,335,483)</u>	<u>(3,127,481)</u>	<u>(208,002)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,527,146</u>	<u>\$ 2,319,400</u>	<u>\$ 207,746</u>

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

**ECONOMIC FACTORS AND NEXT YEARS BUDGET**

The District introduced their 2023 budget on December 1, 2022. The voters subsequently voted to approve the budget at the January election. The 2023 adopted budget reflects an increase in the tax levy of \$87,825, in which the Board anticipates an increase to the fire tax rate of \$0.004 per \$100.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Fire District's finances and to demonstrate the District's accountability for the money it receives. If you have any question about this report or need any additional information, contact the Fire District in writing, at P.O. Box 443, Tinton Falls, New Jersey 07724-0443.

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**District Wide Statement of Net Position**  
**December 31, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash (Note 3)	\$ 1,237,764
Prepaid expenses	68,349
Total current assets	1,306,113
Non-current assets:	
Investment in length of service awards program at Fair value (Note 4)	1,350,313
at contract value (Note 5)	228,630
Total investment in length of service awards program	1,578,943
Capital assets, net:	
Depreciable (Note 6)	2,527,146
Total capital assets	2,527,146
Total non-current assets	4,106,089
Right-of-use lease asset, net of accumulated amortization (Note 8)	903,592
Total assets	\$ 6,315,794
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 105,097
Current portion of lease liability (Note 7)	89,260
Total current liabilities	194,357
Non-current liabilities:	
Lease liability, net of current portion (Note 7)	828,316
Length of service awards program payable (Note 9)	1,619,582
Total non-current liabilities	2,447,898
Total liabilities	2,642,255
<b>NET POSITION</b>	
Net investment in capital assets	2,527,146
Restricted for:	
Capital Projects	329,385
Unrestricted	817,008
Total net position	3,673,539
Total liabilities and net position	\$ 6,315,794

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

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**District Wide Statement of Activities**  
**For the year ended December 31, 2022**

	<b>Expenses</b>	<b>Total Governmental Activities</b>
Governmental activities:		
Operation appropriations:		
Administration	\$ 38,670	\$ 38,670
Costs of operations and maintenance	799,646	799,646
Length of service awards program contribution	40,639	40,639
Total operating appropriations	\$ 878,955	878,955
General revenues:		
Miscellaneous revenue		9,531
Operating grant revenues		2,430
Amount raised by taxation		973,875
Total general revenues		985,836
Change in net position		106,881
Net position, January 1		3,566,658
Net position, December 31		\$ 3,673,539

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



**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2022**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,237,764	\$ -	\$ 1,237,764
Other receivables	-	329,385	329,385
Total current assets	1,237,764	329,385	1,567,149
<b>Non-current assets:</b>			
<b>Investment in length of service awards program:</b>			
at fair value	1,350,313	-	1,350,313
at contract value	228,630	-	228,630
Total investment in length of service awards program	1,578,943	-	1,578,943
Total non-current assets	1,578,943	-	1,578,943
Total assets	\$ 2,816,707	\$ 329,385	\$ 3,146,092
<b>Liabilities, equity and other credits:</b>			
Accounts payable	\$ 105,097	\$ -	\$ 105,097
Other payables	329,385	-	329,385
Total liabilities, equity and other credits	434,482	-	434,482
<b>Fund balances</b>			
<b>Restricted for:</b>			
Capital Projects	-	329,385	329,385
Length of service awards program	1,619,582	-	1,619,582
<b>Assigned for:</b>			
Other purposes	4,692	-	4,692
Unassigned	757,951	-	757,951
Total fund balance	2,382,225	329,385	2,711,610
Total liabilities and fund balance	\$ 2,816,707	\$ 329,385	

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. 68,349

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,862,629 the accumulated depreciation is \$3,335,483. 2,527,146

Right-of-use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,003,992 and the accumulated amortization is \$100,400. 903,592

Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds. (2,537,158)

Net position of governmental activities \$ 3,673,539

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2022**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Miscellaneous revenues:			
Investment income - unrestricted cash and investments	\$ 9,031	\$ -	\$ 9,031
Other revenue	500	-	500
Total miscellaneous revenues	<u>9,531</u>	<u>-</u>	<u>9,531</u>
Operating grant revenues:			
Supplemental fire service act	2,430	-	2,430
Total operating grant revenue	<u>2,430</u>	<u>-</u>	<u>2,430</u>
Total revenues	<u>11,961</u>	<u>-</u>	<u>11,961</u>
Amount raised by taxation to support district budget	<u>973,875</u>	<u>-</u>	<u>973,875</u>
Total anticipated revenues	<u>985,836</u>	<u>-</u>	<u>985,836</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	14,500	-	14,500
Other expenditures:			
Office expense	482	-	482
Professional fees	23,688	-	23,688
Total administration	<u>38,670</u>	<u>-</u>	<u>38,670</u>
Operating appropriations:			
Cost of operations and maintenance:			
Salaries and wages	16,503	-	16,503
Fringe benefits	61,539	-	61,539
Other expenditures:			
Advertising	556	-	556
Insurance	55,678	-	55,678
Maintenance and repairs	131,979	-	131,979
Other non-bondable assets	116,985	-	116,985
Fire prevention	2,520	-	2,520
Rental charges	118,228	-	118,228
Supplemental fire service grant	2,430	-	2,430
Training and education	11,731	-	11,731
Other rental charges	143,788	-	143,788
Total cost of operations and maintenance	<u>661,937</u>	<u>-</u>	<u>661,937</u>
Length of service awards program:			
Depreciation in the value of investments	279,023	-	279,023
Participant withdrawals	7,126	-	7,126
Total length of service awards program	<u>286,149</u>	<u>-</u>	<u>286,149</u>
Capital appropriations	<u>-</u>	<u>348,183</u>	<u>348,183</u>
Total operating appropriations	<u>986,756</u>	<u>348,183</u>	<u>1,334,939</u>
Total governmental expenditures	<u>986,756</u>	<u>348,183</u>	<u>1,334,939</u>
Excess (deficiency) of revenues over (under) expenditures	(920)	(348,183)	(349,103)
Fund balance, January 1	<u>2,383,145</u>	<u>677,568</u>	<u>3,060,713</u>
Fund balance, December 31	<u>\$ 2,382,225</u>	<u>\$ 329,385</u>	<u>\$ 2,711,610</u>

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**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, 2022**

Total net changes in Fund Balance-Governmental Funds (B-2) \$ (349,103)

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	(51,637)	
	Current year	<u>68,349</u>	
			16,712

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

	Length of service awards program expense	(40,639)	
	Depreciation in the value of investments	279,023	
	Participant withdrawals	<u>7,126</u>	
			245,510

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	67,565	
	Capital Outlays - Capital Projects Fund	348,183	
	Depreciation expense	<u>(208,002)</u>	
			<u>207,746</u>

Certain activity related to right-of-use assets and liabilities is not reported in governmental funds, whereas such activity is reported on the district wide statement of net position.

	Amortization of Right-of-use Leased Assets	(100,400)	
	Repayment of Right-of-use Lease Liability	<u>86,416</u>	
			<u>(13,984)</u>

Changes in net position of governmental activities \$ 106,881

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements**

**NOTE 1: GENERAL INFORMATION**

**Description of Reporting Entity**

Borough of Tinton Falls Fire District No. 2 (hereafter referred to as the District) is a political subdivision of the Borough of Tinton Falls, County of Monmouth, State of New Jersey (the State). A board of five commissioners (the Board) oversees all of the operations of the District. The length of each commissioner’s term is three years with the annual election held the third Saturday of 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 firefighting services to the residents within its territorial location.

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

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

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

**District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2022:

<u>Officials</u>	<u>Term Expires:</u> <u>March</u>
Charles Bell, Jr.	2025
Robert Gray	2023
Mason Lewis	2025
Albert Neis	2023
Steven Park	2024

**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.

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**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 no component units as of and for the year ended December 31, 2022.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

The 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 (See Note 2 *Fire District Taxes*) while grants are recognized when grantor eligibility requirements are met.

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

**Fund Accounting**

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

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

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Accounting (continued)**

Governmental Funds:

*General Fund*

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

*Capital Projects Fund*

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

**District Wide and Fund Financial Statements**

*District Wide 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.

*Fund Financial Statements*

The fund financial statements provide detail of the governmental funds.

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 is recorded when due.

**Budgets and Budgetary Accounting**

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

The 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 District’s general-purpose financial statements.

**Encumbrances**

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

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Encumbrances (continued)**

next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The District had encumbrances of \$4,692 as of December 31, 2022.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks. Fire Districts are required by *N.J.S.A. 40A: 5-14* to deposit public funds in a bank or trust company having its place of business in the State 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.

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

**Prepaid Expenses**

Prepaid expenses that 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 such purchases. In summary, Fire Districts may purchase firefighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

**Capital Assets**

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

Depreciation is recorded on the straight-line method (with half year depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Equipment	5 to 15 Years
Vehicles and apparatus	5 to 25 Years



**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventory, Materials and Supplies**

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

**Other Receivables/Payables**

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

**Revenues and Expenditures – Governmental Funds**

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

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

**Fire District Taxes**

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

**Fund Equity**

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

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

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**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.

**Right-of-use Assets and Liabilities**

The District has recorded right-of-use lease assets as a result of implementing GASB Statement No. 87: *Leases* for the year ended December 31, 2022. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use assets are amortized on a straight-line basis over the life of the related lease.

**Impact of Recently Issued Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

In the current year, the District adopted GASB Statement No. 87: *Leases*, which requires the District to recognize most leases on the district wide statement of net position. Adoption of this statement resulted in the recognition of right-of-use assets of \$903,592 and right-of-use lease liabilities of \$917,576. These amounts were determined based on the present value of remaining minimum lease payments, discounted rate (3.25%) as of the date of adoption. There was no material impact to the timing of expense or income recognition in the district wide statement of activities. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures regarding the District's leasing activities are presented in the lease liability subsection of Note 7: *Long-Term Obligations* for more information.

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

Investments are reported at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value). Contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP Plan. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board determines the valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See Note 4: *Investments Held at Fair Value* and Note 5: *Investments Held at Contract Value* for discussion of fair value and contract value measurements, respectively.

**Subsequent Events**

The District has evaluated subsequent events occurring after December 31, 2022 through the date of August 30, 2023, which is the date the financial statements were available to be issued.

**NOTE 3: CASH**

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

**Deposits:**

Demand deposits	\$ 1,237,764
Total deposits	<u>\$ 1,237,764</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ 1,237,764
Total	<u>\$ 1,237,764</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2022, the District's bank balance of \$1,253,832 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>1,003,832</u>
Total	<u>\$ 1,253,832</u>

**NOTE 4: INVESTMENTS HELD AT FAIR VALUE**

**Custodial Credit Risk**

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 4: INVESTMENTS HELD AT FAIR VALUE (continued)**

**Custodial Credit Risk (continued)**

counterparty's trust department or agent but not in the District's name. All of the District's investments are held in the name of the District.

**Investment Interest Rate Risk**

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

**Investment Credit Risk**

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

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

**Fair Value Measurement**

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

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

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

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 4: INVESTMENTS HELD AT FAIR VALUE (continued)**

**Fair Value Measurement (continued)**

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

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

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

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

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

*Money Market Fund* – Valued at the quoted NAV of shares held by the LOSAP Plan at year-end.

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

The following table sets forth by level, within the value hierarchy, the District’s investments at fair value at December 31, 2022.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<i>Registered investment companies</i>	\$ 1,074,717	\$ -	\$ -	\$ 1,074,717
<i>Money market funds</i>	<u>275,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>275,596</u>
Total investments at fair value	<u>\$ 1,350,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350,313</u>

**NOTE 5: INVESTMENTS HELD AT CONTRACT VALUE**

The District held a fully benefit-responsive investment contract with the AIG Retirement Services (AIG) totaling \$228,630 as of December 31, 2022. AIG maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP Plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer’s ability to meet its financial obligations.

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 5: INVESTMENTS HELD AT CONTRACT VALUE (continued)**

The fixed account continues in-force until they are terminated by AIG or the LOSAP Plan. For this reason, such contracts are referred to as "evergreen" contracts and do not define a maturity date.

No events are probable of occurring might limit the ability of the LOSAP Plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP Plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value (See Note 2 *Investments*).

**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.

Capital assets consisted of the following at December 31, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-depreciable assets:				
Construction in progress	\$ 639,000	\$ 170,095	\$ (809,095)	\$ -
Total non-depreciable assets	<u>639,000</u>	<u>170,095</u>	<u>(809,095)</u>	<u>-</u>
Capital assets being depreciated:				
Equipment	1,319,097	67,565	-	1,386,662
Vehicles and apparatus	3,488,784	987,183	-	4,475,967
Total capital assets being depreciated	<u>4,807,881</u>	<u>1,054,748</u>	<u>-</u>	<u>5,862,629</u>
Total capital assets	<u>5,446,881</u>	<u>1,224,843</u>	<u>(809,095)</u>	<u>5,862,629</u>
Less: Accumulated Depreciation				
Equipment	(871,261)	(109,085)	-	\$ (980,346)
Vehicles and apparatus	<u>(2,256,220)</u>	<u>(98,917)</u>	<u>-</u>	<u>(2,355,137)</u>
Total accumulated depreciation	<u>(3,127,481)</u>	<u>(208,002)</u>	<u>-</u>	<u>(3,335,483)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,319,400</u>	<u>\$ 1,016,841</u>	<u>\$ (809,095)</u>	<u>\$ 2,527,146</u>

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 7: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2022, 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>
Investment in LOSAP payable	\$ 1,865,092	\$ 384	\$ 245,894	\$ 1,619,582	\$ 40,639
Right-of-use lease liability	-	1,003,992	86,416	917,576	89,260
Total	<u>\$ 1,865,092</u>	<u>\$ 1,004,376</u>	<u>\$ 332,310</u>	<u>\$ 2,537,158</u>	<u>\$ 129,899</u>

**Right-of-use Lease Liability**

The District has entered into two agreements to lease firehouses and utilization of equipment. The lease agreements qualify as other than short-term leases under GASB Statement No. 87: *Leases* and, therefore, have been recorded at the present value of the future minimum lease payments as the date of its inception.

The agreements were executed January 1, 2022 and have been renewed annually. Management has determined it is reasonable that they will continue to renew these leases for ten additional one-year leases and then evaluate the lease space after the ten-year period. The leases are for firehouses and utilization of equipment that require quarterly payments of \$14,750. The lease liabilities are measured at a discount rate of 3.25%. As a result of the leases, the District has recorded lease liabilities with the net book value of \$1,003,992. The right-of-use asset is described in more detail at Note 8: *Right-of-use Lease Asset*. The following is a schedule of the remaining future minimum lease payments under these lease obligations and the present value of the net minimum lease payments at December 31, 2022:

<u>For the year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 89,260	\$ 28,740	\$ 118,000
2024	92,196	25,804	118,000
2025	95,228	22,772	118,000
2026	98,362	19,638	118,000
2027	101,598	16,402	118,000
2028 - 2031	440,932	31,068	472,000
Total	<u>\$ 917,576</u>	<u>\$ 144,424</u>	<u>\$ 1,062,000</u>

**Length of Service Awards Program**

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

**NOTE 8: RIGHT-OF-USE LEASE ASSET**

The District has recorded right-of-use lease assets. The assets are right-of-use assets for leased firehouses and utilization of equipment. The related leases are discussed in the lease liability subsection of Note 7: *Long-Term Obligations*. The right-of-use lease assets are amortized on a straight-line basis over the terms of the related leases. Right-of-use assets activity for the year ended December 31, 2022, is as follows:



**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 8: RIGHT-OF-USE LEASE ASSET (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Right-of-use lease asset				
Firehouse - Tinton Falls Fire Co.	\$ -	\$ 501,996	\$ -	\$ 501,996
Firehouse - Northside Engine Co.	-	501,996	-	501,996
Total right-of-use lease asset	-	1,003,992	-	1,003,992
Less: accumulated amortization	-	(100,400)	-	(100,400)
Total accumulated ammortization	-	(100,400)	-	(100,400)
Total right-of-use lease asset, net of accumulated amortization	<u>\$ -</u>	<u>\$ 903,592</u>	<u>\$ -</u>	<u>\$ 903,592</u>

**NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM**

The District's LOSAP which is reported in the District's general fund, was created by a resolution adopted on November 12, 1998 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997.

The voters of the District approved the adoption of the LOSAP at the general election held on February 20, 1999, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 1999. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

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

**Contributions** – If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (*N.J.S.A. 40A:14-185(f)*). The Division of Local Government Services of the State will issue the permitted maximum annually. The District elected to contribute a maximum of \$1,804 for the year ended December 31, 2022, per eligible volunteer, into the LOSAP Plan. During the year ended December 31, 2022, the District contributed a total of \$40,640 to the LOSAP Plan.

**Participant Accounts** – Each participant's account is credited with the District's contribution and LOSAP Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the LOSAP Plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the LOSAP Plan Administrator. AIG (Plan Administrator), an approved LOSAP program provider, is the administrator of the LOSAP Plan. The District's



**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

practical involvement in administering the LOSAP Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the LOSAP Plan Administrator.

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

**Payment of Benefits** – Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2022, payouts of \$7,126 were made to vested participants.

**Forfeited Accounts** – There were no forfeitures during the year ended December 31, 2022.

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

**Plan Information** – Additional information about the District’s LOSAP Plan can be obtained by contacting the LOSAP Plan Administrator.

**NOTE 10: 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, 2022, the fire tax rate on the District was approximately \$.067 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 \$2,430.

**NOTE 11: OTHER RECEIVABLE/PAYABLE**

Other receivables and payables are interfund receivables and payables whose purpose is for short-term borrowing. As of December 31, 2022, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 329,385
Capital projects	329,385	-
Totals	<u>\$ 329,385</u>	<u>\$ 329,385</u>

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

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to Financial Statements (continued)**

**NOTE 12: FUND BALANCE**

**General Fund** – Of the \$2,382,225 General Fund balance at December 31, 2022, \$1,619,582 is restricted for investment in length of service awards program, \$4,692 is assigned for other purposes and \$757,951 is unassigned.

**Capital Projects Fund** – Of the \$329,385 Capital Projects Fund balance at December 31, 2022, \$329,385 is restricted for capital appropriations.

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.

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2022**

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous revenues:				
Investment income	\$ 300	\$ 300	\$ 9,031	\$ 8,731
Other revenue	-	-	500	500
Total miscellaneous revenues	<u>300</u>	<u>300</u>	<u>9,531</u>	<u>9,231</u>
Operating grant revenues:				
Supplemental fire service act	2,500	2,500	2,430	(70)
Total operating grant revenue	<u>2,500</u>	<u>2,500</u>	<u>2,430</u>	<u>(70)</u>
Total revenues	<u>2,800</u>	<u>2,800</u>	<u>11,961</u>	<u>9,161</u>
Amount raised by taxation to support district budget	973,875	973,875	973,875	-
Total anticipated revenues	<u>976,675</u>	<u>976,675</u>	<u>985,836</u>	<u>9,161</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	14,500	14,500	14,500	-
Other expenditures:				
Election expense	1,500	1,500	-	1,500
Office expense	4,000	4,000	482	3,518
Professional fees	50,000	39,000	23,688	15,312
Total administration	<u>70,000</u>	<u>59,000</u>	<u>38,670</u>	<u>20,330</u>
Cost of operations and maintenance:				
Salaries and wages	41,000	41,000	16,503	24,497
Fringe benefits	73,000	84,000	61,539	22,461
Other expenditures:				
Advertising	2,100	2,100	556	1,544
Insurance	66,000	66,000	55,678	10,322
Contingencies	11,500	11,500	-	11,500
Maintenance and repairs	167,375	155,147	131,979	23,168
Health care professionals	3,000	3,000	-	3,000
Other non-bondable assets	179,000	193,151	116,985	76,166
Fire prevention	10,000	10,000	2,520	7,480
Rental charges	118,000	118,228	118,228	-
Supplemental fire service grant	2,500	2,500	2,430	70
Training and education	30,600	30,600	11,731	18,869
Other rental charges	132,600	144,600	143,788	812
Total cost of operations and maintenance	<u>836,675</u>	<u>861,826</u>	<u>661,937</u>	<u>199,889</u>
Length of service awards program	<u>70,000</u>	<u>70,000</u>	<u>40,639</u>	<u>29,361</u>
Capital appropriations	-	-	348,183	(348,183)
Total operating appropriations	<u>976,675</u>	<u>990,826</u>	<u>1,089,429</u>	<u>(98,603)</u>
Total governmental expenditures	<u>976,675</u>	<u>990,826</u>	<u>1,089,429</u>	<u>(98,603)</u>
Excess (deficiency) of revenues over (under) expenditures	-	(14,151)	(103,593)	(89,442)
Fund balance, January 1	<u>1,195,621</u>	<u>1,195,621</u>	<u>1,195,621</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,195,621</u>	<u>\$ 1,181,470</u>	<u>\$ 1,092,028</u>	<u>\$ (89,442)</u>

**RECAPITULATION OF FUND BALANCE:**

Fund balances:		
Restricted fund balance:		
Capital		\$ 329,385
Assigned fund balance:		
Other purposes		4,692
Unassigned fund balance		<u>757,951</u>
Total fund balances - budgetary basis		<u>1,092,028</u>
Reconciliation to Governmental Activities (GAAP) fund balance:		
Length of service awards program investment balance not recognized on the budgetary basis		<u>1,619,582</u>
Total fund balance per Governmental Activities (GAAP)		<u>\$ 2,711,610</u>

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Notes to the Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**  
**For the year ended December 31, 2022**

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 985,836
Difference - Budget to GAAP:	
<p>Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. Governmental Accounting Standards Board Statement No. 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:</p>	
Net appreciation in the investment in length of service awards program	<u>-</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 985,836</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,089,429
<p>Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the LOSAP plan.</p>	
Length of service awards program contribution	(40,639)
Depreciation in the value of investments	279,023
Participant withdrawals	<u>7,126</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,334,939</u>

EXHIBIT I-1

**BOROUGH OF TINTON FALLS FIRE DISTRICT NO. 2**  
**Schedule of Obligations Under Lease Obligations**  
**For the year ended December 31, 2022**

Description	Date of Lease	Term of Lease	Annual Maturities		Interest Rate	Balance January 1, 2022	Issued	Retired	Balance December 31, 2022
			Date	Amount					
Property Lease - Tinton Fall Fire Co. Firehouse	January 1, 2022	Ten Years	December 31, 2023	\$ 44,630	3.250%	\$ -	\$ 501,996	\$ 43,208	\$ 458,788
			December 31, 2024	46,098					
			December 31, 2025	47,614					
			December 31, 2026	49,181					
			December 31, 2027	50,799					
			December 31, 2028	52,470					
			December 31, 2029	54,196					
December 31, 2030	55,979								
December 31, 2031	57,821								
Property Lease - Northside Fire Co. Firehouse	January 1, 2022	Ten Years	December 31, 2023	44,630	3.250%	\$ -	\$ 501,996	\$ 43,208	\$ 458,788
			December 31, 2024	46,098					
			December 31, 2025	47,614					
			December 31, 2026	49,181					
			December 31, 2027	50,799					
			December 31, 2028	52,470					
			December 31, 2029	54,196					
December 31, 2030	55,979								
December 31, 2031	57,821								
Total						\$ -	\$ 1,003,992	\$ 86,416	\$ 917,576



Board of Fire Commissioners  
Borough of Tinton Falls Fire District No. 2  
County of Monmouth  
Borough of Tinton Falls, New Jersey

We have audited the basic financial statements of the Borough of Tinton Falls Fire District No. 2 (hereafter referred to as the District), County of Monmouth, State of New Jersey for the year ended December 31, 2022. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

#### **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 \$44,000, except by contract or agreement. The District has a qualified purchasing agent on staff.

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

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

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

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

#### **Contracts and Agreements Requiring Solicitation of Quotations**

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$6,600 "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where quotes or 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.

### **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 4, 2021 and adopted its operating budget on December 2, 2021.

### **Current Year Findings**

There were no current year findings.

### **Prior Year 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. The previous year's audit findings have been corrected.

### **Acknowledgment**

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

Should you have any questions, please contact us.

**HOLMAN FRENIA ALLISON, PC.**  
*Certified Public Accountants*

August 30, 2023  
Lakewood, New Jersey