

**FIRE DISTRICT NO. 2
OF THE TOWNSHIP OF SOUTH BRUNSWICK**

Financial Statements and Supplementary Information

For the year ended December 31, 2025

(With Independent Auditor's Report Thereon)

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
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INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners of
Fire District No. 2 of the Township of South Brunswick
County of Middlesex
Monmouth Junction, State of New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 2 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Fire District No. 2 of the Township of South Brunswick'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 Fire District No. 2 of the Township of South Brunswick, as of December 31, 2025, 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 Fire District No. 2 of the Township of South Brunswick, 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.

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; 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 Fire District No. 2 of the Township of South

Brunswick'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 Fire District No. 2 of the Township of South Brunswick'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 Fire District No. 2 of the Township of South Brunswick'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 budgetary comparison information, 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

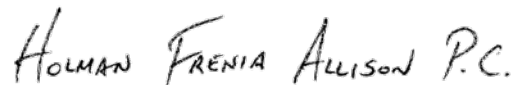
accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 2 of the Township of South Brunswick's basic financial statements. The schedule of long-term lease obligations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of long-term lease obligations is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2026 on our consideration of the Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "HOLMAN FRENIA ALLISON P.C." in a cursive, slightly slanted script.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 14, 2026
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 of
Fire District No. 2 of the Township of South Brunswick
County of Middlesex
Monmouth Junction, 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, each major fund, and the aggregate remaining fund information of the Fire District No. 2 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 14, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fire District No. 2 of the Township of South Brunswick'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 Fire District No. 2 of the Township of South Brunswick's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire District No. 2 of the Township of South Brunswick's internal control.

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

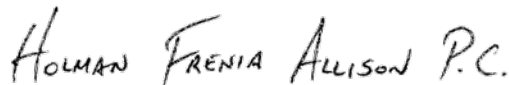
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 Fire District No. 2 of the Township of South Brunswick's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 Fire District No. 2 of the Township of South Brunswick's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 Fire District No. 2 of the Township of South Brunswick's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "HOLMAN FRENIA ALLISON P.C.".

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 14, 2026
Lakewood, New Jersey

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

As management of the Fire District No. 2 of the Township of South Brunswick (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, 2025. 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 19.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2025, by approximately \$5,179,800. During 2024, the excess of assets over liabilities was approximately \$4,888,600. This is an increase of approximately \$291,200.
- During 2025, the District operated at a surplus of approximately \$291,200. During 2024, the District operated at a surplus of approximately \$219,400. This is an increase of approximately \$71,800.
- The District's liabilities increased approximately \$131,900 in 2025 while assets increased by approximately \$423,100.

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 District.

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 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, 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:14:72.1*, the District adopts an annual budget which is approved on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to the 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

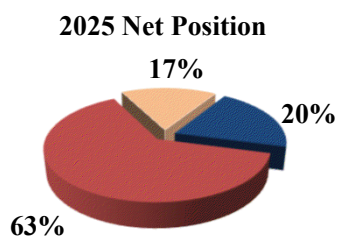
The District's net position is a useful indicator of the District's financial condition. At the end of 2025, the District's assets exceeded its liabilities by approximately \$5,179,800. The largest portion of The District's net position is its investment in capital assets. The District uses these assets 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 incurred for their acquisition, construction, or improvement. Since the capital assets are not available to liquidate the outstanding obligations, other sources must be utilized for the repayment of those obligations.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK DISTRICT WIDE STATEMENT OF NET POSITION DECEMBER 31, 2025 AND 2024

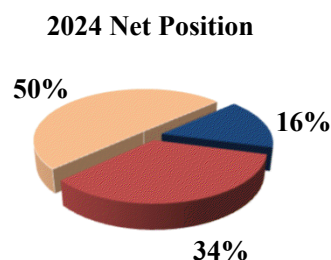
	2025	2024	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Current and noncurrent assets	\$ 3,910,447	\$ 5,011,767	\$ (1,101,320)	(21.97%)
Capital assets, net	3,661,482	2,137,042	1,524,440	71.33%
Total assets	7,571,929	7,148,809	423,120	5.92%
Total liabilities	(2,392,100)	(2,260,207)	131,893	5.84%
Net position	\$ 5,179,829	\$ 4,888,602	\$ 291,227	5.96%

Analysis of net position

Investment in capital assets, net	\$ 3,276,980	\$ 1,661,947	1,615,033	97.18%
Restricted for:				
Capital projects	855,590	2,455,738	(1,600,148)	(65.16%)
Unrestricted	1,047,259	770,917	276,342	35.85%
Total net position	\$ 5,179,829	\$ 4,888,602	\$ 291,227	5.96%



- Investment in Capital Assets, Net
- Restricted for Capital
- Unrestricted



- Investment in Capital Assets, Net
- Restricted for Capital
- Unrestricted

The net position of the District increased approximately \$291,200 as a result of a current year surplus. In 2025, the capital assets increased by approximately \$1,524,400 after depreciation and amortization expense.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

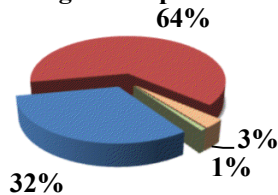
Governmental Activities

The district wide statement of activities shows the cost of the governmental activities program services. A summary of these activities follows:

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK DISTRICT WIDE STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

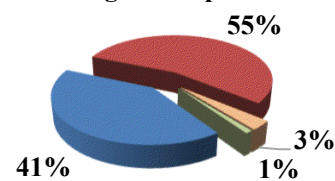
	<u>2025</u>	<u>2024</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 372,435	\$ 446,438	\$ (74,003)	(16.58%)
Cost of operations and maintenance	754,669	593,834	160,835	27.08%
Length of service awards program contribution	37,260	34,848	2,412	6.92%
Interest expense	9,497	11,655	(2,158)	(18.52%)
Total program expenses	<u>1,173,861</u>	<u>1,086,775</u>	<u>87,086</u>	8.01%

2025 Program Expenses



- Administrative
- Cost of Operations and Maintenance
- Length of Service Awards Program Contribution
- Interest Expense

2024 Program Expenses



- Administrative
- Cost of Operations and Maintenance
- Length of Service Awards Program Contribution
- Interest Expense

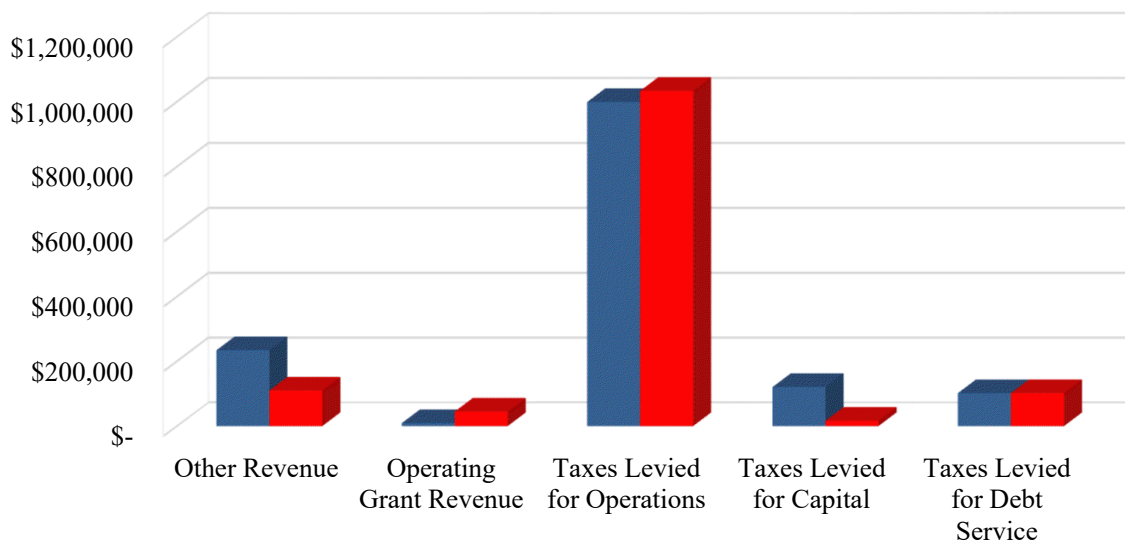
The cost of operations and maintenance comprised 64% and 55% of the District's total expenses in 2025 and 2024, respectively. Administration expenses comprised 32% and 41% of the total expenses in 2025 and 2024, respectively.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
General revenues:				
Property taxes levied for:				
General purposes	999,305	1,033,554	(34,249)	(3.31%)
Capital purchases	120,568	16,231	104,337	642.83%
Debt service	101,924	101,926	(2)	0.00%
Total property taxes levied	<u>1,221,797</u>	<u>1,151,711</u>	<u>70,086</u>	<u>6.09%</u>
Other revenue	234,324	109,805	124,519	113.40%
Operating grant revenue	8,967	44,673	(35,706)	(79.93%)
Total general revenues	<u>1,465,088</u>	<u>1,306,189</u>	<u>158,899</u>	<u>12.17%</u>
 Increase in net position	 291,227	 219,414	 71,813	 32.73%
 Net position, January 1	 <u>4,888,602</u>	 <u>4,669,188</u>	 <u>219,414</u>	 <u>4.70%</u>
 Net position, December 31	 <u><u>\$ 5,179,829</u></u>	 <u><u>\$ 4,888,602</u></u>	 <u><u>\$ 291,227</u></u>	 <u>5.96%</u>

General Revenues



Property tax revenue constituted 83% and 88% of the total governmental activities revenues received by the District in 2025 and 2024, 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, 2025, the combined balance of the governmental funds cash balances of the District was approximately \$2,051,300. This balance is approximately \$1,278,200 lower than last year's combined governmental funds cash balances.

The combined fund balance of the governmental fund of the District was approximately \$3,769,800. Of that total, funds of approximately \$855,600 have been restricted for capital, \$1,859,200 have been restricted for investment in length of service awards program, \$267,400 have been assigned for subsequent year's expenditures, \$125,500 have been assigned for other purposes (encumbrances), and \$662,100 is unassigned.

The general fund is the main operating fund of the District. At the end of 2025, the total fund balance of the general fund was approximately \$2,914,200. Of this balance, the entire balance was unassigned.

At the end of 2025, the general fund balance of the District increased by approximately \$491,700. The primary reason for this increased are as follows:

- The Board recognized revenues in excess of expenses of approximately \$491,700.

At the end of 2025, the capital projects fund of the District decreased by approximately (\$1,600,100). The primary reason for this decreased are as follows:

- The Board recognized expenses in excess of revenues of approximately \$1,600,100.

Budgetary Highlights

The 2025 budget anticipated a deficit in revenues and required the utilization of unrestricted surplus accumulated from prior years. Any unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

- The District recognized budgeted revenues in excess of actual revenues of approximately \$234,000 in 2025.
- Overall, the District's expenditures were approximately \$275,700 less than originally anticipated in the operating budget for 2025.

CAPITAL ASSETS

As of December 31, 2025, the District had invested in capital assets for government activities of approximately \$3,661,500 (net of accumulated depreciation and amortization). Capital assets consist of land, apparatus and vehicles, buildings and improvements, and equipment.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31, 2025 AND 2024

	2025	2024	\$ Increase (Decrease)
Capital assets not being depreciated:			
Land	\$ 462,991	\$ 462,991	\$ -
Total capital assets not being depreciated	462,991	462,991	-
Capital assets being depreciated:			
Apparatus and vehicles	3,780,580	3,054,710	725,870
Firematic and other equipment	2,554,519	2,516,345	38,174
Equipment	580,353	566,363	13,990
Total capital assets being depreciated	6,915,452	6,137,418	778,034
Total capital assets at historical cost	7,378,443	6,600,409	778,034
Less: accumulated depreciation and amortization	(3,716,961)	(4,463,367)	746,406
Total capital assets, net	\$ 3,661,482	\$ 2,137,042	\$ 1,524,440

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, 2025, the District had obligations under finance purchases for governmental activities of approximately \$384,500 of which approximately \$92,800 is due within one year.

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

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District voted to approve the budget at the November election. The 2026 adopted budget reflects an increase in the tax levy of \$68,917, in which the Board anticipates an increase to the fire tax rate.

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 573 Ridge Road, P.O. Box 114, Monmouth Junction, New Jersey 08852 or by telephone at (732) 329-0250.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
District Wide Statement of Net Position
December 31, 2025

ASSETS	Governmental Activities
Current unrestricted assets:	
Cash (Note 3)	\$ 2,051,287
Total current unrestricted assets	<u>2,051,287</u>
Noncurrent assets:	
Investment in length of service awards program:	
at fair value (Note 6)	1,660,225
at contract value (Note 6)	<u>198,935</u>
Total investment in length of service awards program	<u>1,859,160</u>
Total noncurrent assets	<u>1,859,160</u>
Capital assets, net:	
Non-depreciable (Note 8)	462,991
Depreciable (Note 8)	<u>3,198,491</u>
Total capital assets, net	<u>3,661,482</u>
Total assets	<u><u>\$ 7,571,929</u></u>
LIABILITIES AND NET POSTION	
Current liabilities:	
Accounts payable	\$ 136,355
Grant advance - Supplemental Fire Service Act	4,320
Accrued interest	7,763
Current portion of finance purchases payable (Note 9)	<u>92,754</u>
Total current liabilities	<u>241,192</u>
Noncurrent liabilities:	
Finance purchases payable, net of current portion (Note 9)	291,748
Length of service awards program payable (Note 9)	<u>1,859,160</u>
Total noncurrent liabilities	<u>2,150,908</u>
Total liabilities	<u>2,392,100</u>
Net position:	
Investment in capital assets, net	3,276,980
Restricted net position:	
Capital	855,590
Unrestricted	<u>1,047,259</u>
Total net position	<u>5,179,829</u>
Total liabilities and net position	<u><u>\$ 7,571,929</u></u>

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
District Wide Statement of Activities
For the year ended December 31, 2025

	<u>Expenses</u>	<u>Total Governmental Activities</u>
Governmental activities:		
Operating appropriations:		
Administration	\$ 372,435	\$ 372,435
Costs of operations and maintenance	754,669	754,669
Length of service awards program contribution	37,260	37,260
Interest expense	9,497	9,497
	<u>\$ 1,173,861</u>	<u>1,173,861</u>
Total operating appropriations		
General revenues:		
Miscellaneous revenues		234,324
Operating grant revenues		8,967
Amount raised by taxation		<u>1,221,797</u>
Total general revenues		<u>1,465,088</u>
Change in net position		291,227
Net position, January 1		<u>4,888,602</u>
Net position, December 31		<u>\$ 5,179,829</u>

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Balance Sheet
December 31, 2025

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Current unrestricted assets:				
Cash	\$ 1,195,697	\$ 855,590	\$ -	\$ 2,051,287
Total current unrestricted assets	<u>1,195,697</u>	<u>855,590</u>	<u>-</u>	<u>2,051,287</u>
Total current assets	<u>1,195,697</u>	<u>855,590</u>	<u>-</u>	<u>2,051,287</u>
Noncurrent assets:				
Investment in length of service awards program:				
at fair value (Note 6)	1,660,225	-	-	1,660,225
at contract value (Note 6)	198,935	-	-	198,935
Total investment in length of service awards program	<u>1,859,160</u>	<u>-</u>	<u>-</u>	<u>1,859,160</u>
Total noncurrent assets	<u>1,859,160</u>	<u>-</u>	<u>-</u>	<u>1,859,160</u>
Total assets	<u>\$ 3,054,857</u>	<u>\$ 855,590</u>	<u>\$ -</u>	<u>\$ 3,910,447</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 136,355	\$ -	\$ -	\$ 136,355
Grant advance - Supplemental Fire Service Act	4,320	-	-	4,320
Total liabilities	<u>140,675</u>	<u>-</u>	<u>-</u>	<u>140,675</u>
Fund Balance:				
Restricted for:				
Capital	-	855,590	-	855,590
Length of service awards program	1,859,160	-	-	1,859,160
Assigned for:				
Subsequent year's expenditures	267,398	-	-	267,398
Other purposes (encumbrances)	125,485	-	-	125,485
Unassigned, reported in:				
General fund	662,139	-	-	662,139
Total fund balance	<u>2,914,182</u>	<u>855,590</u>	<u>-</u>	<u>3,769,772</u>
Total liabilities and fund balance	<u>\$ 3,054,857</u>	<u>\$ 855,590</u>	<u>\$ -</u>	

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

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	3,661,482
Accrued interest is not recorded in the fund financial statements due to the fact that the payable is not due in the period.	(7,763)
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(2,243,662)</u>
Total net position - Governmental Activities	<u>\$ 5,179,829</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Totals Governmental Funds
Revenues:				
Miscellaneous revenues:				
Interest on investments and deposits	\$ 19,830	\$ 28,512	\$ -	\$ 48,342
Appreciation in the value length of service awards program	187,014	-	-	187,014
Other revenues	185,982	-	-	185,982
Total miscellaneous revenues	392,826	28,512	-	421,338
Operating grant revenues:				
American Rescue Plan	4,647	-	-	4,647
Supplemental Fire Service Act	4,320	-	-	4,320
Total operating grant revenue	8,967	-	-	8,967
Amount to be raised by taxation to support the budget	999,305	120,568	101,924	1,221,797
Total revenues	1,401,098	149,080	101,924	1,652,102
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	145,978	-	-	145,978
Fringe benefits	74,808	-	-	74,808
Other expenditures:				
Shared services	96,069	-	-	96,069
Professional fees	31,449	-	-	31,449
Elections	11,482	-	-	11,482
Other outside services	9,030	-	-	9,030
Office expenses	2,923	-	-	2,923
Memberships and dues	696	-	-	696
Total administration	372,435	-	-	372,435
Cost of operations and maintenance:				
Salaries and wages	66,195	-	-	66,195
Fringe benefits	28,652	-	-	28,652
Other expenditures:				
Maintenance and repairs	67,109	-	-	67,109
Facilities	55,200	-	-	55,200
Contracted services - volunteer fire co.	51,500	-	-	51,500
Utilities	51,486	-	-	51,486
Grant expenses	4,320	-	-	4,320
Insurance	116,244	-	-	116,244
Turnout gear and uniforms	26,733	-	-	26,733
Other non-bondable assets	24,136	-	-	24,136
Aid to first aid squad association	13,000	-	-	13,000
Training and education	5,186	-	-	5,186
Reimbursement expense	7,200	-	-	7,200
Supplies expense	9,304	-	-	9,304
Promotion	2,723	-	-	2,723
Advertising	518	-	-	518
Memberships and dues	375	-	-	375
Total cost of operations and maintenance	529,881	-	-	529,881

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
For the year ended December 31, 2025

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals Governmental Funds</u>
Length of service awards program:				
Adimistrative Fees	914	-	-	914
Participant withdrawals	6,143	-	-	6,143
Total length of service awards program	7,057	-	-	7,057
Capital appropriations:				
Various Capital Appropriations	-	1,749,228	-	1,749,228
Total capital appropriations	-	1,749,228	-	1,749,228
Debt service for capital appropriations:				
Principal payment on debt service	-	-	90,593	90,593
Interest payment on debt service	-	-	11,331	11,331
Total debt service for capital appropriations	-	-	101,924	101,924
Total operating appropriations	909,373	1,749,228	101,924	2,760,525
Excess (deficiency) of revenues over (under) operating appropriations	491,725	(1,600,148)	-	(1,108,423)
Fund balance, January 1	2,422,457	2,455,738	-	4,878,195
Fund balance, December 31	<u>\$ 2,914,182</u>	<u>\$ 855,590</u>	<u>\$ -</u>	<u>\$ 3,769,772</u>

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the District Wide Statement of Activities
December 31, 2025

Total net changes in Fund Balance - Governmental Funds (B-2) \$ (1,108,423)

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

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 liability reported on the district wide statement of net position

Length of service awards program contribution	(37,260)	
Appreciation in the value length of service awards program	(187,014)	
Administrative fees	914	
Participant withdrawals	<u>6,143</u>	
		(217,217)

Certain activity related to the acquisition, construction, of assets 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 Outlay - Capital Projects Fund	1,749,228	
Depreciation expense	<u>(224,788)</u>	
		1,524,440

Accrual of interest on debt service 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	9,597	
Current year	<u>(7,763)</u>	
		1,834

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the district wide statement of net position and is not reported in the district wide statement of activities.

90,593

Change in total net position - Governmental Activities	<u><u>\$ 291,227</u></u>
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FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

Fire District No. 2 of the Township of South Brunswick (hereafter referred to as the District) is a political subdivision of the Township of South Brunswick, County of Middlesex, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of February.

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

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

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

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, 2025:

Officials:	Term Expires:
	March
Charles Smith	2026
Charles Spahr	2027
Douglas Wolfe	2027
Thomas Young, Jr.	2028
Brian Spahr	2028

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. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the 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 reported no component units as of and for the year ended December 31, 2025.

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."

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the 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 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

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.

Fund Financial Statements

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.

The fund financial statements provide detail of the governmental funds.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the 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 State of New Jersey Admin Code § 5:31-2.4.

The Board must introduce and adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget. Amendments may be made to the District budget in accordance with *N.J.S.A 40A: 14-78.3*. The budget may be amended subsequent to its final adoption and approval for additional items of revenue with offsetting appropriations in accordance with *N.J.S.A 40A: 14-78.5*. Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the 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 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, 2025, the District recognized \$125,485 of encumbrances.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

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

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

Accounts Receivable

Accounts receivables represent amounts due from intergovernmental grant awards and amounts to be raised by taxation. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. All receivables are current and therefore due within one year, thus no allowance is recorded by the District (see Note 5: *Accounts Receivables*).

Investments

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

Prepaid Assets

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

Capital Assets

Capital assets, which include land, apparatus and vehicles, building and improvements are reported in the district wide financial statements. Non leased capital assets are recorded at historical cost or estimated historical cost if actual cost is not available.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$5,000. Depreciation is computed using the straight-line method over the useful lives of the assets as follows:

Description:	Useful Lives
Apparatus and vehicles	10 – 20 Years
Buildings and improvements	40 Years
Equipment	5 – 15 Years
Land	N/A

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.

Other Receivables and Payables

Other receivables and payables are interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed. The District did not recognize other receivable or payables for the year ended December 31, 2025.

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, and 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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 aforementioned categories and negative fund balances in other governmental funds.

Net Position

Net position represents the difference between summation of assets and the summation of liabilities. Net position is classified in the following three components:

- Investment in Capital Assets, net – Represent capital assets, net of accumulated depreciation, and reduced by any related outstanding debt incurred for their 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

Accounting Pronouncements Adopted in Current Year

The following GASB statements became effective for the fiscal year ended December 31, 2025:

- Statement No. 102, *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements (continued)

Accounting Pronouncements Adopted in Current Year (continued)

Management has determined that the implementation of these statements did not have a significant impact on the District's financial statements.

Accounting Pronouncements Effective in Future Reporting Periods

The following accounting pronouncements will become effective in future reporting periods:

- Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.
- Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.
- Statement No. 105, *Subsequent Events*. The requirements of this statement are effective for fiscal years beginning after June 15, 2026.

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, 2025, through the date of May 14, 2026, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2025, and reported at fair value are as follows:

<u>Type:</u>	<u>Carrying Value:</u>
Deposits:	
Demand deposits	\$ 2,051,287
Total deposits	<u>\$ 2,051,287</u>
 Reconciliation to the Governmental Funds:	
Current unrestricted assets:	
Cash	\$ 2,051,287
Total	<u>\$ 2,051,287</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 3: CASH (continued)

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, 2025, the District's bank balance of \$2,055,235 was exposed to custodial credit risk as follows:

Insured	\$ 495,926
Collateralized not in the District name (New Jersey Cash Management Fund)	1,094,045
Collateralized in the District's name under GUDPA	<u>465,264</u>
Total	<u>\$ 2,055,235</u>

NOTE 4: CASH HELD WITH TRUSTEE

Cash held with trustee consists of amounts held with financial intuitions that is legally restricted for the purchase of a fire apparatus, such funds are uninsured and uncollateralized. As of December 31, 2025, the District had \$0 in cash held with trustees.

NOTE 5: ACCOUNTS RECEIVABLE

As of December 31, 2025, the District had \$0 in accounts receivables.

NOTE 6: 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 counterparty's trust department or agent but not in the District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

Investment Interest Rate Risk

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 6: INVESTMENTS HELD AT FAIR VALUE (continued)

Investment Interest Rate Risk (continued)

- 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.

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.

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

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 6: INVESTMENTS HELD AT FAIR VALUE (continued)

Fair Value Measurement

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

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

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

The following table sets forth by level, within the value hierarchy, the District's investments at fair value at December 31, 2025.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<i>Registered investment companies</i>	\$1,660.225	\$ -	\$ -	\$1,660.225
Total investments held at fair value	<u>\$1,660.225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,660.225</u>

NOTE 7: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with Lincoln Financial (Lincoln) totaling \$198,935 as of December 31, 2025. Lincoln maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses.

The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer's ability to meet its financial obligations.

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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 8: CAPITAL ASSETS

The District's capital assets, including land, apparatus and vehicles buildings and improvements, and equipment, and are reported in accordance with New Jersey Statutes Annotated (N.J.S.A.) 40A:14-84 through 40A:14-87.

Pursuant to *N.J.S.A. 40A:14-84*, related capital purchases, including fire apparatus and equipment, require voter approval unless funded through available budget appropriations. In accordance with *N.J.S.A. 40A:14-85*, fire districts may finance capital acquisitions through bond issuance, lease-purchase agreements, or other long-term obligations, subject to voter approval or governing body resolution. Pursuant to *N.J.S.A. 40A:14-87*, proceeds from the sale of capital assets must be restricted for future capital acquisitions unless otherwise authorized. The District reviews capital assets annually for impairment, disposal, or transfer, with significant changes reflected in the financial statements.

Capital assets for governmental activities for the year ended December 31, 2025, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,991	\$ -	\$ -	\$ 462,991
Total capital assets not being depreciated	462,991	-	-	462,991
Capital assets being depreciated:				
Apparatus and vehicles	3,054,710	1,697,064	(971,194)	3,780,580
Buildings and improvements	2,516,345	38,174	-	2,554,519
Equipment	566,363	13,990	-	580,353
Total capital assets being depreciated	6,137,418	1,749,228	(971,194)	6,915,452
Total capital assets at historical cost	6,600,409	1,749,228	(971,194)	7,378,443
Less: accumulated depreciation:				
Apparatus and vehicles	(2,259,264)	(146,106)	971,194	(1,434,176)
Buildings and improvements	(1,718,683)	(63,442)	-	(1,782,125)
Equipment	(485,420)	(15,240)	-	(500,660)
Total accumulated depreciation	(4,463,367)	(224,788)	971,194.00	(3,716,961)
Total capital assets, net	<u>\$ 2,137,042</u>	<u>\$ 1,524,440</u>	<u>\$ -</u>	<u>\$ 3,661,482</u>

NOTE 9: LONG-TERM OBLIGATIONS

During the year ended December 31, 2025, 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>
Governmental activities:					
Lenth of service awards					
program payable	\$ 1,641,943	\$ 224,274	\$ (7,057)	\$ 1,859,160	\$ -
Obligations Under Finance Purchase	475,095	-	(90,593)	384,502	92,754
Total	<u>\$ 2,117,038</u>	<u>\$ 224,274</u>	<u>\$ (97,650)</u>	<u>\$ 2,243,662</u>	<u>\$ 92,754</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 9: LONG-TERM OBLIGATIONS (continued)

Obligations under Finance Purchases

On February 25, 2022, the District, entered into a finance purchase agreement for \$650,00 to acquire fire apparatus. The agreement requires annual payments of over the term of seven (7) years and carries an interest rate of 2.385%. The following is a schedule of the remaining future minimum lease payments under the finance purchase, and the present value of the net minimum lease payments at December 31, 2025:

For the year ended December 31,	Principal	Interest	Total
2026	\$ 92,754	\$ 9,170	\$ 101,924
2027	94,966	6,958	101,924
2028	97,231	4,693	101,924
2029	99,551	2,373	101,924
Total	<u>\$ 384,502</u>	<u>\$ 23,194</u>	<u>\$ 407,696</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 10: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description

The District's length of service awards program (LOSAP), which is reported in the District's general fund, was created by a resolution adopted on December 21, 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.

The tax deferred income benefits for the active volunteer firefighters serving the residents the Township of South Brunswick 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 Plan agreement for a more complete description of the 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 in the initial plan year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (*N.J.S.A. 40A:14-185(f)*). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Contributions (continued)

During the year ended December 31, 2025, the District contributed a total of \$37,260 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts

Each participant's account is credited with the District's contribution and 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 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 Plan Administrator. Lincoln Financial Group ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the 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, 2025, payouts of \$6,143 were made to vested participants.

Forfeited Accounts

There were no forfeitures during the year ended December 31, 2025.

Investments

The investments of the length of service awards program are recorded at fair value and contract value. The District has classified these investments as restricted in the financial statements.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Plan Information

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

NOTE 11: CONCENTRATIONS AND FUNDING

A significant source of revenue for the District comes from its ability to levy property taxes (see Note 2: *Fire District Taxes*). The ability to levy property taxes, and the limits to which property taxes can be levied, are promulgated by State statute. As a result of this dependency, the District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

The activities of the District are primarily funded by the striking of the fire tax on the property owners of the District, as provided for by the state statute. For the year ended December 31, 2025, the fire tax rate on the District was approximately \$.047 per \$100 of assessed valuation. The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of \$4,320.

NOTE 12: RISK MANAGEMENT

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

Property and Liability Insurance

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

NOTE 13: FUND BALANCES

Restricted

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the District's fund balance are summarized as follows:

General Fund

Length of Service Awards Program (LOSAP) – Pursuant to *N.J.S.A. 40A:14-187*, all accumulated proceeds shall remain restricted for the volunteer members. As a result, there exists at December 31, 2025 a restricted fund balance in the amount of \$1,859,160 for future benefit payments of volunteers.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Financial Statements (continued)

NOTE 13: FUND BALANCES (continued)

Restricted (continued)

Capital Projects Fund

Capital Projects (Future Capital Outlays) – These funds are restricted for future capital expenditures to be made in future years. When the District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2025, the balance is \$855,590.

Assigned

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures – The District has appropriated and included as anticipated revenue for the year ending December 31, 2025, \$267,398 of general fund balance a December 31, 2025.

Other Purposes – The District has outstanding encumbrances of \$125,485 as of December 31, 2025.

Unassigned

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

General Fund - As of December 31, 2025, \$662,139 of general fund balance was unassigned.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
For the year ended December 31, 2025

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous revenues:				
Interest on investments and deposits	\$ 5,000	\$ 5,000	\$ 48,342	\$ 43,342
Other revenues	-	-	185,982	185,982
Total miscellaneous revenues	5,000	5,000	234,324	229,324
Operating grant revenues:				
American Rescue Plan	-	-	4,647	4,647
Supplemental Fire Service Act	4,320	4,320	4,320	-
Total operating grant revenue	4,320	4,320	8,967	4,647
Amount to be raised by taxation to support budget	1,221,797	1,221,797	1,221,797	-
Total revenues	1,231,117	1,231,117	1,465,088	233,971
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	157,800	157,800	145,978	11,822
Fringe benefits	82,454	82,454	74,808	7,646
Other expenditures:				
Shared services	116,000	116,000	96,069	19,931
Professional fees	42,500	42,500	31,449	11,051
Elections	11,390	14,390	11,482	2,908
Travel expenses	6,800	3,800	-	3,800
Other outside services	13,000	13,000	9,030	3,970
Office expenses	4,300	4,300	2,923	1,377
Legal Advertising	1,400	1,400	518	882
Memberships and dues	750	750	696	54
Total administration	436,394	436,394	372,953	63,441
Cost of operations and maintenance:				
Salaries and wages	88,540	68,540	66,195	2,345
Fringe benefits	32,289	32,289	28,652	3,637
Other expenditures:				
Maintenance and repairs	90,000	110,000	67,109	42,891
Facilities	82,500	62,500	55,200	7,300
Contracted services - volunteer fire co.	51,500	51,500	51,500	-
Utilities	52,400	52,400	51,486	914
Grant expenses	4,320	4,320	4,320	-
Insurance	93,150	123,150	116,244	6,906
Turnout gear and uniforms	30,000	30,000	26,733	3,267
Other non-bondable assets	34,310	24,310	24,136	174
Aid to first aid squad association	13,000	13,000	13,000	-
Training and education	9,500	9,500	5,186	4,314
Reimbursement expense	9,400	9,400	7,200	2,200
Supplies expense	12,500	12,500	9,304	3,196
Promotion	6,000	6,000	2,723	3,277
Memberships and dues	1,075	1,075	375	700
Total cost of operations and maintenance	610,484	610,484	529,363	81,121

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2025

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Length of service awards program contribution	47,828	47,828	37,260	10,568
Capital appropriations:				
Various Capital Appropriations	-	-	1,749,228	(1,749,228)
Reserve for future capital outlay	120,568	120,568	-	120,568
Total capital appropriations	120,568	120,568	1,749,228	(1,628,660)
Debt service for capital appropriations:				
Principal payment on debt service	90,594	90,594	90,593	1
Interest payment on debt service	11,332	11,332	11,331	1
Total debt service for capital appropriations	101,926	101,926	101,924	2
Total operating appropriations	1,317,200	1,317,200	2,790,728	(1,473,528)
Excess (deficiency) of revenues over (under) operating appropriations	(86,083)	(86,083)	(1,325,640)	(1,239,557)
Fund balance, January 1	3,236,252	3,236,252	3,236,252	-
Fund balance, December 31	<u>\$ 3,150,169</u>	<u>\$ 3,150,169</u>	1,910,612	<u>\$ 1,239,557</u>
RECAPITULATION OF FUND BALANCE:				
Fund balance:				
Restricted:				
Capital			855,590	
Assigned:				
Subsequent year's expenditures			267,398	
Other purposes (encumbrances)			125,485	
Unassigned			662,139	
Total fund balance - Budgetary Basis			<u>1,910,612</u>	
Reconciliation to the Governmental Funds:				
Length of service awards program not recognized on the budgetary basis			<u>1,859,160</u>	
Total fund balance - Governmental Funds			<u>\$ 3,769,772</u>	

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to the Required Supplementary Information
Budgetary Basis to the Governmental Funds Reconciliation
For the year ended December 31, 2025

	Total Governmental Funds
Sources / inflows of resources:	
Actual amounts (budgetary basis) revenues from the budgetary comparison schedule (C-1)	\$ 1,465,088
Difference from budgetary basis to the Governmental Funds:	
Budgetary basis differs in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Appreciation in the value length of service awards program	187,014
Total revenues as reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (B-2)	\$ 1,652,102
Use / outflows of resources:	
Actual amounts (Budgetary Basis) operating appropriations from the Budgetary Comparison Schedule (C-1)	\$ 2,790,728
Difference from budgetary basis to the Governmental Funds:	
Budgetary basis differs in that the District is required to budget for contributions to the length of service awards program. However, GASB Statement No. 73 requires expenditures be paid in accordance with the LOSAP plan be shown under the current financial resources measurement focus and modified accrual basis of accounting as follows:	
Length of service awards program contribution	(37,260)
Administrative fees	914
Participant withdrawals	6,143
Total operating appropriations as reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (B-2)	\$ 2,760,525

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Schedule of Obligations Under Finance Purchases Payable
December 31, 2025

Description	Date of Financing	Term of Financing	Amount of Original Financing		Annual Maturities		Interest Rate Payable	Balance December 31, 2024	Issued	Retired	Balance December 31, 2025
			Principal	Interest	Date	Amount					
Fire apparatus	February 25, 2022	Seven (7) Years	\$ 650,000	\$ 63,471	February 25, 2026	\$ 92,754	0.000%	\$ 475,095	\$ -	\$ (90,593)	\$ 384,502
					February 25, 2027	94,966	0.000%				
					February 25, 2028	97,231	0.000%				
					February 24, 2029	99,551	0.000%				
Total								\$ 475,095	\$ -	\$ (90,593)	\$ 384,502

To the Board of Fire Commissioners of
Fire District No. 2 of the Township of South Brunswick
County of Middlesex
Monmouth Junction, State of New Jersey

We have audited the basic financial statements of the Fire District No. 2 of the Township of South Brunswick (hereafter referred to as the District), County of Middlesex, State of New Jersey for the year ended December 31, 2025. 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. The District does not have a qualified purchasing agent on staff and therefore may award contracts up to \$17,500 without competitive bids.

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 \$2,625 "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 December 2, 2024 and adopted its operating budget on January 21, 2025.

Current Year Findings

There were no current year findings.

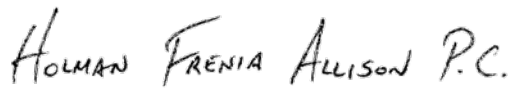
Prior Year Findings

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. There were no prior year findings.

Acknowledgment

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

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

A handwritten signature in black ink that reads "Holman Frenia Allison P.C." in a cursive, slightly slanted script.

HOLMAN FRENIA ALLISON, PC.

Certified Public Accountants

May 14, 2026
Lakewood, New Jersey