

**TOWNSHIP OF PITTSBORO**

**FIRE DISTRICT NO. 3**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2019**



**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3  
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TOWNSHIP OF PITTS GROVE FIRE DISTRICT NO. 3  
Roster of Officials

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**Board of Commissioners**

**Title**

Richard Smith	Chairman of the Board
Jeffrey Morse	Vice Chairman
Sean Henderson	Treasurer
Christopher McDowell	Secretary
Ben Miller	Clerk of the Board

**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Township of Pittsgrove  
Fire District No. 3  
Pittsgrove, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Pittsgrove Fire District No. 3, in the County of Salem, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Pittsgrove Fire District No. 3, in the County of Salem, State of New Jersey, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Emphasis of Matter**

*Adoption of New Accounting Principle*

As discussed in note 1 to the financial statements, during the year ended December 31, 2019, the Fire District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter

*Consistency of Financial Statements*

Because of the implementation of GASB Statement No. 84, the length of service awards program liability as of December 31, 2018 in the notes to financial statements has been restated, as discussed in note 12. Our opinion is not modified with respect to this matter.

*Prior Period Restatement*

In addition, because of the implementation of GASB Statement No. 84, fund balance as of December 31, 2018 on the statement of revenues, expenditures, and changes in fund balances has been restated, as discussed in note 12 to the financial statements. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 on our consideration of the Township of Pittsgrove Fire District No. 3'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 the effectiveness of the Township of Pittsgrove Fire District No. 3's 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 Township of Pittsgrove Fire District No. 3's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
December 1, 2020

**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Township of Pittsgrove  
Fire District No. 3  
Pittsgrove, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and each major fund of the Township of Pittsgrove Fire District No. 3, in the County of Salem, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated December 1, 2020. Our report on the financial statements included an emphasis of matter paragraph describing the adoption of a new accounting principle, and additional paragraphs on the consistency of financial statements and prior period restatement resulting from the new accounting principle.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Pittsgrove Fire District No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Pittsgrove Fire District No. 3'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Pittsgrove Fire District No. 3'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 Bureau of Authority Regulation, 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 entity'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 Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
December 1, 2020



**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3

Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
(Unaudited)

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As management of the Township of Pittsgrove Fire District No. 3 (hereafter referred to as the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Fire District's financial performance.

### FINANCIAL HIGHLIGHTS

- During 2019, the Fire District early implemented GASB 84, which changed how the Length of Service Award Program account balance is presented in the financial statements.
- The net position of the Fire District, which represents the difference between assets and liabilities, totaled \$1,567,517.69 at the close of the current year.
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$1,593,714.60., an increase of \$435,182.74, or 37.6%, in comparison with the prior year due to the GASB 84 change in reporting Length of Service Awards Program.
- At the end of the current year, unassigned fund balance for the general fund was \$745,540.54 approximately an 17.7% percent increase from that of the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Pittsgrove Fire District No. 3's basic financial statements. The Township of Pittsgrove Fire District No. 3's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Township of Pittsgrove Fire District No. 3's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Township of Pittsgrove Fire District No. 3's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township of Pittsgrove Fire District No. 3 is improving or deteriorating.

The Statement of Activities presents information showing how the Township of Pittsgrove Fire District No. 3's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the Township of Pittsgrove Fire District No. 3 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Township of Pittsgrove Fire District No. 3 include fire-fighting services, which are provided to the citizens of the Willow Grove section of the Township of Pittsgrove.

**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. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fire District maintains one fund type, governmental.

## TOWNSHIP OF PITTSGROVE FIRE DISTRICT NO. 3

Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
(Unaudited)

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### The Fire District's Funds

The fund financial statements provide detailed information about the most significant funds, not the Fire District as a whole. 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. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fire District maintains one fund type, governmental.

*Governmental funds* - The operational activities of the Fire District are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Fire District's fund balances by law, creditors, Fire District Board of Commissioners, and the Fire District's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Fire District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The Fire District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund.

In addition, the Fire District adopts an annual budget in accordance with N.J.S.A. 40A:14-78.3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Financial Analysis of the District as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township of Pittsgrove Fire District No. 3, assets exceeded liabilities by \$1,567,517.69 at the close of the most recent year.

The Township of Pittsgrove Fire District No. 3's net position reflects its investment in capital assets (i.e., land, buildings, equipment) less any related debt used to acquire those assets that is still outstanding. The Township of Pittsgrove Fire District No. 3 uses these assets to provide fire-fighting services to the citizens of the Township of Pittsgrove; consequently, these assets are not available for future spending. Although the Township of Pittsgrove Fire District No. 3's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
(Unaudited)

**Financial Analysis of the District as a Whole (Cont'd)**

Table 1 provides a summary of the Fire District's net position for 2019 and 2018.

<b>TABLE 1</b>				
<b>NET POSITION</b>				
<b>AS OF DECEMBER 31,</b>				
	<u>2019</u>	RESTATED <u>2018</u>	<u>Change</u>	<u>% Change</u>
Current and Other Assets	\$ 1,602,671.43	\$ 1,367,999.25	\$ 234,672.18	17.15%
Capital Assets, net	<u>239,084.54</u>	<u>299,630.81</u>	<u>(60,546.27)</u>	<u>-20.21%</u>
<b>Total Assets</b>	<u>1,841,755.97</u>	<u>1,667,630.06</u>	<u>174,125.91</u>	<u>10.44%</u>
Other Liabilities	265,281.45	206,580.83	58,700.62	28.42%
Current Liabilities	<u>8,956.83</u>	<u>2,886.56</u>	<u>6,070.27</u>	<u>210.29%</u>
<b>Total Liabilities</b>	<u>274,238.28</u>	<u>209,467.39</u>	<u>64,770.89</u>	<u>30.92%</u>
Net Investment in Capital Assets	239,084.54	299,630.81	(60,546.27)	-20.21%
Restricted Net Position	575,957.45	518,163.45	57,794.00	11.15%
Unrestricted Net Position	<u>752,475.70</u>	<u>640,368.41</u>	<u>112,107.29</u>	<u>17.51%</u>
<b>Total Net Position</b>	<u>\$ 1,567,517.69</u>	<u>\$ 1,458,162.67</u>	<u>\$ 109,355.02</u>	<u>7.50%</u>

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
(Unaudited)

**Financial Analysis of the District as a Whole (Cont'd)**

Table 2 reflects changes in net position for 2019 and 2018

<b>TABLE 2</b>				
<b>CHANGES IN NET POSITION</b>				
<b>FOR THE YEARS ENDED DECEMBER 31,</b>				
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
Operating Appropriations:				
Administration	\$ 55,326.69	\$ 66,665.52	\$ (11,338.83)	-17.01%
Cost of Operations and Maintenance	137,066.13	109,226.46	27,839.67	25.49%
Length of Service Award Program	8,585.00	10,254.00	(1,669.00)	-16.28%
<b>Total Program Expenses</b>	<u>200,977.82</u>	<u>186,145.98</u>	<u>14,831.84</u>	<u>7.97%</u>
Program Revenues:				
Operating Grants and Contributions	1,759.96	962.66	797.30	82.82%
<b>Net Program Expenses</b>	<u>199,217.86</u>	<u>185,183.32</u>	<u>14,034.54</u>	<u>7.58%</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes	290,344.00	282,200.00	8,144.00	2.89%
Miscellaneous Income	18,228.88	14,614.14	3,614.74	24.73%
<b>Total General Revenues</b>	<u>308,572.88</u>	<u>296,814.14</u>	<u>11,758.74</u>	<u>3.96%</u>
<b>Change in Net Position</b>	<u>109,355.02</u>	<u>111,630.82</u>	<u>(2,275.80)</u>	<u>-2.04%</u>
<b>Net Position, January 1</b>	<u>1,458,162.67</u>	<u>1,346,531.85</u>	<u>111,630.82</u>	<u>8.29%</u>
<b>Net Position, December 31</b>	<u>\$ 1,567,517.69</u>	<u>\$ 1,458,162.67</u>	<u>\$ 109,355.02</u>	<u>7.50%</u>

**Financial Analysis of the Government's Funds**

As the Fire District completed the year, its governmental funds reported a *combined* fund balance of \$1,593,714.60, which is an increase over last year's total *combined* fund balance of \$435,182.74. Of the combined ending fund balances of \$1,593,714.60, approximately 46.78% constitutes unassigned fund balance in the amount of \$745,540.54. The remainder of fund balance is restricted and / or assigned to indicate that it is not available for new spending because of the following: (1) nonspendable (\$6,935.16), (2) restricted for debt service (\$2,786.45), (3) Length of Service Awards Program (\$265,281.45), (4) restricted for future capital outlay (\$573,171.00).

*General fund* - The general fund is the general operating fund of the Fire District and is used to account for the inflows and outflows its of financial resources. The acquisition of certain capital assets, such as fire-fighting and emergency medical apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures. At the end of the current year, the Fire District's unassigned fund balance in the general fund totaled \$745,540.54.

During the current year, the fund balance of the Fire District's general fund increased by \$435,182.74, primarily related to the implementation of GASB 84.

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2019  
 (Unaudited)

**Financial Analysis of the Government's Funds (Cont'd)**

*Debt service fund* - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**General Fund Budgetary Highlights**

During the months of November and December of the current year, the Fire District modified its general fund budget through budgetary line item transfers approved by the governing body.

The final budgetary basis revenue estimate was \$291,306.00, which remained unchanged from the original budget estimate. The final anticipated revenue estimate was exceeded by actual revenues by \$19,026.84 thus aiding the Fire District in increasing total fund balance.

The final budgetary basis expenditure appropriation estimate was \$291,306.00, which remained unchanged from the original budget estimate. The final budget estimate exceeded actual expenditures incurred by \$150,374.45 thus aiding the Fire District in increasing total fund balance.

**Capital Assets and Debt Administration**

**Capital Assets**

The Fire District's net investment in capital assets for its governmental activities as of December 31, 2019 amounts to a historical cost of \$1,693,852.80, or \$239,084.54 net of accumulated depreciation (see Table 3). This net investment in capital assets includes equipment and vehicles.

<b>TABLE 3</b>		
<b>CAPITAL ASSETS</b>		
<b>(NET OF ACCUMULATED DEPRECIATION)</b>		
<b>AS OF DECEMBER 31,</b>		
	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 169,924.80	\$ 169,924.80
Vehicles and Apparatus	68,457.35	127,950.05
Equipment	702.39	1,755.96
<b>Total</b>	<b><u>\$ 239,084.54</u></b>	<b><u>\$ 299,630.81</u></b>

Additional information on the Fire District's capital assets can be found in note 4 of the notes to financial statements.

**Economic Factors and Next Year's Budget**

For the 2019 year, the Fire District was able to sustain its budget through property taxes, interest on investments and deposits, and other miscellaneous revenue sources. Approximately 94.1% of total revenue is from property taxes. The 2020 budget was adopted on January 6, 2020 by the Commissioners, and was subsequently approved by the voters at the annual fire district election on February 15, 2020.

**Requests for Information**

This financial report is designed to provide a general overview of the Township of Pittsgrove Fire District No. 3's finances for all those with an interest in the Fire District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of Pittsgrove Fire District No. 3, 64 Dealtown Road, Pittsgrove, New Jersey 08318.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



## TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3

## Statement of Net Position

December 31, 2019

## ASSETS:

Cash and Cash Equivalents	\$ 669,515.71
Intergovernmental Accounts Receivable:	
Taxes Receivable	84,981.66
Prepaid Expenses	6,935.16
Restricted Assets:	
Restricted Cash and Cash Equivalents	575,957.45
Investments - Length of Service Awards Program	265,281.45
Capital Assets, net (Note 4)	<u>239,084.54</u>
Total Assets	<u>1,841,755.97</u>

## LIABILITIES:

Accounts Payable	8,956.83
Noncurrent Liabilities (Note 5):	
Due beyond One Year	<u>265,281.45</u>
Total Liabilities	<u>274,238.28</u>

## NET POSITION:

Net Investment in Capital Assets	239,084.54
Restricted for:	
Debt Service	2,786.45
Future Capital Outlay	573,171.00
Unrestricted	<u>752,475.70</u>
Total Net Position	<u>\$ 1,567,517.69</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**

Statement of Activities

For the Year Ended December 31, 2019

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Expenses:	
Operating Appropriations:	
Administration	\$ 55,326.69
Cost of Operations and Maintenance	137,066.13
LOSAP (P.L. 1997, c.388)	<u>8,585.00</u>
Total Program Expenses	<u>200,977.82</u>
Program Revenues:	
Operating Grants and Contributions	<u>1,759.96</u>
Net Program Expenses	<u>199,217.86</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	290,344.00
Miscellaneous	<u>18,228.88</u>
Total General Revenues	<u>308,572.88</u>
Change in Net Position	<u>109,355.02</u>
Net Position, January 1	<u>1,458,162.67</u>
Net Position, December 31	<u><u>\$ 1,567,517.69</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
Balance Sheet  
Governmental Funds  
December 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,242,686.71	\$ 2,786.45	\$ 1,245,473.16
Investments - Length of Service Awards Program	265,281.45		265,281.45
Intergovernmental Accounts Receivable:			
Taxes Receivable	84,981.66		84,981.66
Prepaid Expenses	6,935.16		6,935.16
<b>Total Assets</b>	<b><u>\$ 1,599,884.98</u></b>	<b><u>\$ 2,786.45</u></b>	<b><u>\$ 1,602,671.43</u></b>
<b>FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 8,956.83		\$ 8,956.83
<b>Total Liabilities</b>	<b><u>8,956.83</u></b>	<b><u>-</u></b>	<b><u>8,956.83</u></b>
<b>Fund Balances:</b>			
Nonspendable	6,935.16		6,935.16
Restricted:			
Debt Service		\$ 2,786.45	2,786.45
Length of Service Awards Program	265,281.45		265,281.45
Future Capital Outlay	573,171.00		573,171.00
Unassigned	745,540.54		745,540.54
<b>Total Fund Balances</b>	<b><u>1,590,928.15</u></b>	<b><u>2,786.45</u></b>	<b><u>1,593,714.60</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,599,884.98</u></b>	<b><u>\$ 2,786.45</u></b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,693,852.80, and the accumulated depreciation is \$1,454,768.26.	239,084.54
Long-term liabilities, including bonds payable, pension liability, length of service awards program, compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(265,281.45)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 1,567,517.69</u></b>

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Operating Grant Revenue	\$ 1,759.96		\$ 1,759.96
Amount to be Raised by Taxation to Support the District Budget	290,344.00		290,344.00
Non-Budgetary Revenues	18,228.88		18,228.88
Restricted:			
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)	8,585.00		8,585.00
Unrealized Gain / (Loss) on Investments	50,390.62		50,390.62
<b>Total Revenues</b>	<b>369,308.46</b>	<b>-</b>	<b>369,308.46</b>
<b>EXPENDITURES:</b>			
Operating Appropriations:			
Administration	55,326.69		55,326.69
Cost of Operations and Maintenance	76,519.86		76,519.86
Restricted:			
Administrative Charges	275.00		275.00
LOSAP (P.L. 1997, c.388)	8,585.00		8,585.00
<b>Total Expenditures</b>	<b>140,706.55</b>	<b>-</b>	<b>140,706.55</b>
<b>Excess of Revenues over Expenditures</b>	<b>228,601.91</b>	<b>-</b>	<b>228,601.91</b>
Fund Balance, January 1	1,155,745.41	\$ 2,786.45	1,158,531.86
Prior Period Adjustment (Note 12)	206,580.83		206,580.83
Fund Balance, January 1 (Restated)	1,362,326.24	2,786.45	1,365,112.69
Fund Balance, December 31	<b>\$ 1,590,928.15</b>	<b>\$ 2,786.45</b>	<b>\$ 1,593,714.60</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2019

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Total Net Change in Fund Balances - Governmental Funds	\$ 228,601.91
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>	
Depreciation Expense	(60,546.27)
<p>Governmental funds report certain activity related to the length of service awards program as restricted revenues and expenditures, whereas such activity is a component of the length of service awards program liability reported on the statement of net position</p>	
	<u>(58,700.62)</u>
Change in Net Position of Governmental Activities	<u>\$ 109,355.02</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**

Notes to Financial Statements  
For the Year Ended December 31, 2019

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Township of Pittsgrove Fire District No. 3 (the "Fire District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Description of the Financial Reporting Entity**

The Fire District is a political subdivision of the Township of Pittsgrove (the "Township"), Salem County, New Jersey. The Township is located in the southeast corner of Salem County in New Jersey approximately thirty-five miles southeast of the City of Philadelphia. As of the 2010 United States Census, the Township's population was 9,393. The Township has three fire districts. The Fire District was formed through the adoption of a Township ordinance in accordance with N.J.S.A. 40A:4-14-70 of the State of New Jersey to provide fire protection services to the residents of the Centerton section of the Township. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years following the vote held at the annual election.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location. The Fire District has one fire company within its jurisdiction, the Centerton Volunteer Fire Company.

The primary criterion for including activities within the Fire District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Fire District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Fire District over which the Board of Commissioners exercises operating control.

**Government-wide and Fund Financial Statements**

The Fire District's basic financial statements consist of government-wide statements and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. The Fire District's operations consist of governmental activities, which normally are supported by property taxes and intergovernmental revenues. The Fire District has no business-type activities, which rely to a significant extent on fees and charges for support. If the Fire District had business-type activities, such activities would be reported separately from governmental activities.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Government-wide and Fund Financial Statements (Cont'd)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Fire District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the Fire District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes (ad valorem) are recognized as revenues in the year for which they are levied, as under New Jersey State Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers revenues to be available if they are collected within sixty (60) days of the end of the current year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, reimbursable-type grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the Fire District.

The Fire District reports the following major governmental funds:

**General Fund** - The general fund is the primary operating fund of the Fire District. It is used to account for all financial resources except those required to be accounted for in another fund. 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.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

The Fire District reports the following major governmental funds (Cont'd):

***Debt Service Fund*** - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

**Budgets / Budgetary Control**

The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the third Saturday in February. 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 Fire 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 Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A. 40A:14-78.5.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election held on the third Saturday in February for approval of the legal voters.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year-end.

The budget, as detailed on exhibit C-1, includes all amendments and modifications to the adopted budget as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

The encumbered appropriation authority carries over into the next 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 amount as of the current year end.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey fire districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

**Inventories**

Inventories recorded on the government-wide financial statements are recorded as expenses when consumed rather than when purchased. The Fire District did not have any inventory for the year ended December 31, 2019.

**Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements and governmental fund financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2019.

**Short-Term Interfund Receivables / Payables**

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Fire District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the Fire District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The Fire District's capitalization threshold is \$5,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 Years
Equipment	5 - 20 Years
Vehicles and Apparatus	5 - 10 Years

The Fire District does not possess any infrastructure assets.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions and length of service awards program contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

**Net Position**

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

***Net Investment in Capital Assets*** - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the 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 Fire 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.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Fund Balance**

The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

***Nonspendable*** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

***Restricted*** - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (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.

***Committed*** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Fire Commissioners. Such formal action consists of an affirmative vote by the Board of Fire Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

***Assigned*** - The assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by the Board of Fire Commissioners to assign amounts to be used for specific purposes.

***Unassigned*** - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, and then unassigned.

**Interfund Activity**

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

The Fire District implemented the following GASB Statement for the year ended December 31, 2019:

Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement became effective, as a result of early implementation, for the Fire District for the year ended December 31, 2019.

As a result of the implementation of Statement No. 84, the Fire District has determined that the activity related to its length of service awards program meets the criteria for reporting in the governmental funds (general fund), as opposed to the fiduciary fund where it was reported in prior periods. There exists no effect on net position; however, fund balance reported at January 1, 2019 has been restated (note 12).

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements that will become effective for the Fire District in future years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the Fire District in the year ending December 31, 2022. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Fire District.

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2019, the Fire District's bank balances of \$1,245,473.16 were insured by FDIC and GUDPA.

Insured by FDIC and GUDPA	<u>\$ 1,245,473.16</u>
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**Note 3: PROPERTY TAX LEVIES**

The following is a tabulation of the Fire District's assessed valuations, tax levies, and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2019	\$ 183,107,731.00	\$ 290,344.00	\$ 0.159
2018	181,935,325.00	282,200.00	0.156
2017	181,703,293.00	277,200.00	0.153
2016	181,721,240.00	276,446.00	0.151
2015	182,705,642.00	274,146.00	0.147

**Note 4: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 is as follows:

	<b>Balance Dec. 31, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31, 2019</b>
Capital Assets that are not being Depreciated:				
Land	\$ 169,924.80			\$ 169,924.80
Total Capital Assets not being Depreciated	169,924.80	-	-	169,924.80
Capital Assets that are being Depreciated:				
Buildings and Improvements	30,000.00			30,000.00
Vehicles and Apparatus	1,473,953.00			1,473,953.00
Equipment	19,975.00			19,975.00
Total Capital Assets being Depreciated	1,523,928.00	-	-	1,523,928.00
Total Capital Assets, Cost	1,693,852.80	-	-	1,693,852.80
Less Accumulated Depreciation for:				
Buildings and Improvements	(30,000.00)			(30,000.00)
Vehicles and Apparatus	(1,346,002.95)	\$ (59,492.70)		(1,405,495.65)
Equipment	(18,219.04)	(1,053.57)		(19,272.61)
Total Accumulated Depreciation	(1,394,221.99)	(60,546.27) *	-	(1,454,768.26)
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	129,706.01	(60,546.27)	-	69,159.74
Capital Assets, Net	\$ 299,630.81	\$ (60,546.27)	-	\$ 239,084.54

\* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 60,546.27</u>
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**Note 5: LONG-TERM LIABILITIES**

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

	(Restated) Balance <u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>Dec. 31, 2019</u>
Other Liabilities:				
Length of Service Awards Program Liability	\$ 206,580.83 <sup>(1)</sup>	\$ 58,975.62	\$ (275.00)	\$ 265,281.45
Governmental Activities Long-Term Liabilities	<u>\$ 206,580.83</u>	<u>\$ 58,975.62</u>	<u>\$ (275.00)</u>	<u>\$ 265,281.45</u>

<sup>(1)</sup> restated balance

**Length of Service Awards Program Liability** - For details on the length of service awards program liability, refer to note 11. The Fire 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 6: RISK MANAGEMENT**

The Fire 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 Fire District maintains commercial insurance coverage for property, liability, and surety bonds.

**Note 7: CONTINGENCIES**

**Litigation** - The Fire District is not a defendant in any legal proceedings nor exposed to any litigation or potential losses that would be material to the financial statements.

**Note 8: CONCENTRATIONS**

A significant source of revenue for the Fire District comes from its ability to levy property taxes (see note 1 for detail on property 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 Fire District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

**Note 9: FUND BALANCES APPROPRIATED - GENERAL FUND**

The 2020 annual budget of the Fire District was adopted on January 6, 2020, and subsequently approved by the voters at the annual election held on February 15, 2020. The adopted budget did not utilize fund balance in the general fund.



**Note 9: FUND BALANCES APPROPRIATED - GENERAL FUND (CONT'D)**

The following presents the total fund balance of the general fund as of the end of the last five years and the amount utilized in the subsequent year's budget:

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2019	\$ 1,590,928.15	None
2018	1,155,745.41	None
2017	983,568.32	None
2016	808,131.53	None
2015	615,444.67	None

**Note 10: FUND BALANCES****NONSPENDABLE**

As stated in note 1, the nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balances of the Fire District, as of December 31, 2019, are summarized as follows:

**General Fund** - The Fire District records prepaid expenses which represent payments made to vendors for services that will benefit periods beyond December 31, 2019. As a result, it is necessary to set aside fund balance at year-end by an amount equal to the prepaid expense amount. As of December 31, 2019, the nonspendable fund balance was \$6,935.16.

**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 Fire District's fund balance are summarized as follows:

**General Fund -**

**Capital Projects (Future Capital Outlays)** - These funds are restricted for future capital expenditures to be made in future years. When the Fire 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, 2019, the balance is \$573,171.00.

**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, 2019 a restricted fund balance in the amount of \$265,281.45 for future benefit payments of volunteers.

**Note 10: FUND BALANCES (CONT'D)****RESTRICTED (CONT'D)****Debt Service Fund -**

**Debt Service** - This amount represents amounts raised in the Debt Service Fund which have not yet been spent. As of December 31, 2019, the balance is \$2,786.45.

**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, 2019, \$745,540.54 of general fund balance was unassigned.

**Note 11: LENGTH OF SERVICE AWARDS PROGRAM**

**Plan Description** - The Fire District's length of service awards program (the "Plan"), which is a defined contribution plan reported in the Fire District's general fund, was created by a Fire District Resolution adopted on May 7, 2003 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 accumulated assets of the Plan are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

The voters of the Fire District approved the adoption of the Plan at the annual election held on February 15, 2003, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2003. The Plan provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel, and is administered by Lincoln National Life Insurance Company ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The Fire 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.

The tax deferred income benefits for emergency service volunteers of the Centerton Volunteer Fire Company, consisting of the volunteer fire department, come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of the Plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**Plan Amendments** - The Fire District may make minor amendments to the provisions of the Plan at any time, provided, however, that no amendment affects the rights of participants or their beneficiaries regarding vested accumulated deferrals at the time of the amendment. The Plan can only be amended by resolution of the governing body of the Fire District, and the following procedures must be followed: (a) any amendment to the Plan shall be submitted for review and approval by the Director of Local Government Services, State of New Jersey (the "Director") prior to implementation by the Fire District's governing body, provided, however, that any amendment required by the IRS, may be adopted by the Fire District's governing body without the advance approval of the Director (although such amendment shall be filed with the Director); (b) the documentation submitted to the Director shall identify the regulatory authority for the amendment and the specific language of the change; and (c) the Fire District shall adopt the amendment by resolution of the governing body, and a certified copy of the resolution shall be forwarded to the Director. The Fire District may amend the Plan agreement to accommodate changes in the Internal Revenue Code, Federal statutes, state laws or rules or operational experience. In cases of all amendments to the Plan, the Fire District shall notify all participants in writing prior to making any amendment to the Plan.

**Note 11: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

**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 \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Fire District elected to contribute \$1,717.00 for the year ended December 31, 2019, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Fire 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.

For the year ended December 31, 2019, the Fire District's Plan expense was \$8,585.00.

**Participant Accounts** - Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. For the year ended December 31, 2019, the Plan's administrative costs were paid by the fund. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Fire District has placed the amounts deferred, including earnings, in an account maintained by a third-party administrator for the exclusive benefit of the Plan participants and their beneficiaries. The contributions from the Fire District to the Plan, and the related earnings, are not irrevocable, and such funds are not legally protected from the creditors of the Fire District. These funds, however, are not available for funding the operations of the Fire District.

**Vesting** - The Fire District, in accordance with N.J.S.A. 40A:14-188 and N.J.A.C. 5:30-11.63 may make a yearly contribution to the length of service awards program account in the deferred income program for an active volunteer who has satisfied the requirements for receipt of an award, but the volunteer shall not be able to receive a distribution of the funds until the completion of a five year vesting period or be in accordance with changes to vesting conveyed through the issuance of a Local Finance Notice and/or publication of a public notice in the New Jersey Register, with payment of that benefit only being as otherwise permitted by the Plan.

**Payment of Benefits** - Upon separation from volunteer service, retirement or disability, termination of the Plan, participants may select various payout options of vested accumulated deferrals, 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.

**Forfeited Accounts** - For the year ended December 31, 2019, no accounts were forfeited.

**Investments** - The investments of the length of service awards program are recorded at fair value and investments offered to the participants include various variable annuities. The Fire District has classified these investments as restricted in the financial statements.

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

**Note 12: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS**

For the year ended December 31, 2019, the Fire District adopting new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result, the fund balance of the general fund as of December 31, 2018 has been restated to include the balances of the length of service awards program that was previously reported in a fiduciary fund. The following table illustrates the restatement:

	General Fund
Beginning Fund Balance as Previously Reported at December 31, 2018	\$ 1,155,745.41
Prior Period Adjustment:	
Reclassification of Length of Service Awards Program Balances from Fiduciary Fund	206,580.83
Fund Balance as Restated, December 31, 2018	\$ 1,362,326.24

In addition to the restatement of fund balance, the adoption of GASB Statement No. 84 required the Fire District to recognize on the statement of net position for the year ended December 31, 2019 a long-term liability for the future benefit payments to volunteers in accordance with the terms of the length of service awards program.

**Note 13: SUBSEQUENT EVENTS**

**COVID-19** - The management of the Fire District has evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the Fire District. While the impact that COVID-19 will have is currently expected to be temporary, as of the date of the financial statements, the related financial impact and duration cannot be reasonably estimated.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II  
BUDGETARY COMPARISON SCHEDULES**

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2019

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>					
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	\$ 962.00		\$ 962.00	\$ 1,759.96	\$ 797.96
Amount to be Raised by Taxation to Support the District Budget	290,344.00		290,344.00	290,344.00	
Total Anticipated Revenues	291,306.00	-	291,306.00	292,103.96	797.96
Non-Budgetary Revenues:					
Miscellaneous				18,228.88	18,228.88
Total Non-Budgetary Revenues	-	-	-	18,228.88	18,228.88
Total Revenues	291,306.00	-	291,306.00	310,332.84	19,026.84
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration:					
Other Expenses:					
Administrative Services	8,000.00		8,000.00	2,809.55	5,190.45
Office Expenses	2,500.00		2,500.00	1,437.86	1,062.14
Professional Services	9,000.00	\$ (3,500.00)	5,500.00	1,345.50	4,154.50
Insurance	45,000.00	3,500.00	48,500.00	48,152.10	347.90
Physicals	3,500.00		3,500.00	1,395.00	2,105.00
Advertisements	650.00		650.00	186.68	463.32
Total Administration	68,650.00		68,650.00	55,326.69	13,323.31
Cost of Operations and Maintenance:					
Other Expenses:					
Building Maintenance	25,000.00		25,000.00	13,601.28	11,398.72
Equipment Repairs	20,500.00		20,500.00	15,457.81	5,042.19
Utilities, Vehicle Fuel & Oil	17,000.00		17,000.00	12,112.33	4,887.67
Training and Education	2,000.00		2,000.00	580.00	1,420.00
Other Assets - Non Bondable	83,862.00		83,862.00	34,768.44	49,093.56
Miscellaneous	500.00		500.00		500.00
Total Cost of Operations and Maintenance	148,862.00		148,862.00	76,519.86	71,842.14
Length of Service Award Program	16,000.00		16,000.00	8,585.00	7,415.00
Capital Appropriations:					
Reserve for Future Capital Outlay	57,794.00	-	57,794.00	-	57,794.00
Total Expenditures	291,306.00	-	291,306.00	140,431.55	150,374.45
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	169,901.29	\$ 169,401.29
Fund Balance, Beginning				1,155,745.41	
Prior Period Adjustment				206,580.83	
Fund Balance, Beginning (Restated)				1,362,326.24	
Reconciliation to Fund Balance for Length of Service Awards Program:					
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)				8,585.00	
Unrealized Gain / (Loss) on Investments				50,390.62	
Administrative Charges				(275.00)	
				58,700.62	
Fund Balance, Ending				\$ 1,590,928.15	
<b>Recapitulation:</b>					
Fund Balances:					
Nonspendable				\$ 6,935.16	
Restricted:					
Future Capital Outlay				573,171.00	
Length of Services Award Program				265,281.45	
Unassigned				745,540.54	
Total Fund Balance				\$ 1,590,928.15	

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Year Ended December 31, 2019

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	General Fund
Sources / Inflows of Resources:	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 310,332.84
Certain restricted revenues related to the length of service awards program are recognized on the GAAP basis but are not required to be budgeted.	<u>58,975.62</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u><u>\$ 369,308.46</u></u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 140,431.55
Certain restricted expenditures related to the length of service awards program are recognized on the GAAP basis but are not required to be budgeted	<u>275.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u><u>\$ 140,706.55</u></u>

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**



**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2019

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***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

**TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3**  
Summary Schedule of Prior Year Audit Findings  
and Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

None.

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**APPRECIATION**

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants