

TOWNSHIP OF PITTSBORO

FIRE DISTRICT NO. 3

REPORT OF AUDIT

FOR THE YEAR ENDED

DECEMBER 31, 2017

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

Board of Commissioners

<u>Name</u>	<u>Title</u>
Richard Smith	Chairman of the Board
Christian DuBois	Vice Chairman
Jeff Morse	Secretary / Clerk of the Board
Christopher McDowell	
Tom Furdyna (Resigned)	

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, and the aggregate remaining fund information 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, 2017, 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 Fire District'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 Fire District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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, and the aggregate remaining fund information of the Township of Pittsgrove Fire District No. 3, in the County of Salem, State of New Jersey, as of December 31, 2017, 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.

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 October 8, 2018 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
October 8, 2018

**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, and the aggregate remaining fund information 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, 2017, 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 October 8, 2018.

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,

Handwritten signature in black ink that reads "Bowman & Company LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
October 8, 2018

**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, 2017
(Unaudited)

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, 2017. 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

- The net position of the Fire District, which represents the difference between assets and liabilities, totaled \$1,346,531.85 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 \$986,354.77, an increase of \$175,436.79, or 21.6%, in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$506,145.87 approximately an 10.8% percent increase from that of the prior year.

USING THIS REPORT OF AUDIT

This report of audit consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Fire District as a whole and present a longer-term view of the Fire District's finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. These fund financial statements also report the Fire District's operations in more detail than the government-wide statements by providing information about the Fire District's most significant funds. In addition, the fiduciary fund financial statements provide a view of the Fire District's length of service awards program, which was established to provide tax deferred benefits to volunteers serving in the fire and rescue efforts of the Fire District.

Reporting the Fire District as a Whole

One of the most important questions asked about the Fire District's finances is, "Is the Fire District as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Fire District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Fire District's *net position* and changes in it. You can think of the Fire District's net position - which represents the difference between assets and liabilities - as one way to measure the Fire District's financial health, or *financial position*. Over time, *increases or decreases* in the Fire District's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Fire District's property tax base and the condition of the Fire District's capital assets, to assess the *overall health* of the Fire District.

In the statement of net position and the statement of activities, we classify the Fire District as one kind of activity, that being governmental activities. This is where all of the Fire District's basic services are reported, which include fire-fighting services. Property taxes, uniform fire safety act fees, and state and federal grants primarily finance these activities.

TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

USING THIS REPORT OF AUDIT (CONT'D)

Reporting the Fire District's Most Significant 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 two fund types, governmental and fiduciary.

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 three 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, capital projects fund and debt service fund.

Fiduciary fund - The fiduciary fund is used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund 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. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service. Readers should refer to note 10 of the notes to financial statements for additional information on the Fire District's length of service awards program.

TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3

Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

THE FIRE DISTRICT AS A WHOLE

During 2017, the Fire District's net position increased by \$112,405.04, increasing from \$1,234,126.81 in 2016 to \$1,346,531.85. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Fire District's governmental-type activities.

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 991,408.74	\$ 823,851.90
Capital Assets, net	360,177.08	423,208.83
Total Assets	1,351,585.82	1,247,060.73
Current Liabilities	5,053.97	12,933.92
Total Liabilities	5,053.97	12,933.92
Net Investment in Capital Assets	360,177.08	423,208.83
Restricted Net Position	402,013.45	285,863.45
Unrestricted Net Position	584,341.32	525,054.53
Total Net Position	\$ 1,346,531.85	\$ 1,234,126.81

In total, assets increased by \$104,525.09 and liabilities decreased by \$7,879.95.

\$360,177.08 of the Fire District's net position at the end of the current year reflects its net investment in capital assets (i.e., equipment and vehicles). This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets. The Fire District 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 Fire District'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 sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional component of the Fire District's net position, \$402,013.45, represents resources that are restricted. These amounts consist of amounts restricted for voter-approved capital projects and debt service.

The third and final component of net position is unrestricted. The unrestricted net position at year-end is \$584,341.32. This component represents resources and uses that do not meet the criteria of the aforementioned two components of net position.

TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3
 Management's Discussion and Analysis
 For the Year Ended December 31, 2017
 (Unaudited)

THE FIRE DISTRICT AS A WHOLE (CONT'D)

Table 2 that follows illustrates the changes in net position of the Fire District's governmental activities.

TABLE 2		
CHANGES IN NET POSITION		
FOR THE YEARS ENDED DECEMBER 31,		
	<u>2017</u>	<u>2016</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 63,426.75	\$ 48,040.84
Cost of Operations and Maintenance	110,998.30	131,119.17
Length of Service Award Program	5,022.00	6,676.00
	179,447.05	185,836.01
Total Program Expenses		
Program Revenues:		
Operating Grants and Contributions	-	962.67
	179,447.05	184,873.34
Net Program Expenses		
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes	277,200.00	276,446.00
Miscellaneous Income	14,652.09	2,972.73
	291,852.09	279,418.73
Total General Revenues		
Change in Net Position	112,405.04	94,545.39
Net Position, January 1	1,234,126.81	1,139,581.42
Net Position, December 31	\$ 1,346,531.85	\$ 1,234,126.81

During 2017, the Fire District's revenues increased by \$12,433.36, increasing from \$279,418.73 in 2016 to \$291,852.09 in 2017.

Property taxes constituted approximately 95% of total revenues for governmental activities for the Fire District for the year 2017. In addition, miscellaneous income constituted approximately 5% of total revenues for governmental activities.

During 2017, the Fire District's expenses decreased by \$6,388.96, decreasing from \$185,836.01 in 2016 to \$179,447.05 in 2017.

TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3
 Management's Discussion and Analysis
 For the Year Ended December 31, 2017
 (Unaudited)

THE FIRE DISTRICT'S FUNDS

As the Fire District completed the year, its governmental funds reported a *combined* fund balance of \$986,354.77, which is an increase over last year's total *combined* fund balance of \$175,436.79. Of the combined ending fund balances of \$986,354.77, approximately 52.43% constitutes unassigned fund balance in the amount of \$506,145.87. 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 (\$6,321.20), (2) restricted for debt service (\$2,786.45), (3) restricted for future capital outlay (\$399,227.00), and (4) assigned to other purposes (\$71,874.25).

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 \$506,145.87.

During the current year, the fund balance of the Fire District's general fund increased by \$175,436.79.

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.

Budgetary Highlights

The final budget estimate exceeded actual expenditures incurred by \$174,936.79, thus aiding the Fire District in the replenishment of fund balance utilized in previous years' budgets.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Fire District's net investment in capital assets for its governmental activities as of December 31, 2017 amounts to a historical cost of \$1,693,852.80, or \$360,177.08 net of accumulated depreciation (see Table 3). This net investment in capital assets includes equipment and vehicles.

TABLE 3		
CAPITAL ASSETS		
(NET OF ACCUMULATED DEPRECIATION)		
AS OF DECEMBER 31,		
	<u>2017</u>	<u>2016</u>
Land	\$ 169,924.80	\$ 169,924.80
Vehicles and Apparatus	187,442.75	246,935.45
Equipment	<u>2,809.53</u>	<u>6,348.58</u>
Total	<u>\$ 360,177.08</u>	<u>\$ 423,208.83</u>

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

TOWNSHIP OF PITTSGROVE FIRE DISTRICT NO. 3

Management's Discussion and Analysis

For the Year Ended December 31, 2017

(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the 2017 year, the Fire District was able to sustain its budget through property taxes, interest on investments and deposits, and other miscellaneous revenue sources. Approximately 95% of total revenue is from property taxes. The 2018 budget was adopted on January 8, 2018 by the Commissioners, and was subsequently approved by the voters at the annual fire district election on February 17, 2018.

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

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, 2017

ASSETS:

Cash and Cash Equivalents	\$	583,074.09
Prepaid Expenses		6,321.20
Restricted Assets:		
Restricted Cash and Cash Equivalents		402,013.45
Capital Assets, net (Note 4)		<u>360,177.08</u>
 Total Assets		 <u>1,351,585.82</u>

LIABILITIES:

Accounts Payable		<u>5,053.97</u>
 Total Liabilities		 <u>5,053.97</u>

NET POSITION:

Net Investment in Capital Assets		360,177.08
Restricted for:		
Debt Service		2,786.45
Future Capital Outlay		399,227.00
Unrestricted		<u>584,341.32</u>
 Total Net Position	 \$	 <u><u>1,346,531.85</u></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, 2017

Expenses:	
Operating Appropriations:	
Administration	\$ 63,426.75
Cost of Operations and Maintenance	110,998.30
LOSAP (P.L. 1997, c.388)	<u>5,022.00</u>
Total Program Expenses	<u>179,447.05</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	277,200.00
Miscellaneous	<u>14,652.09</u>
Total General Revenues	<u>291,852.09</u>
Increase in Net Position	<u>112,405.04</u>
Net Position, January 1	<u>1,234,126.81</u>
Net Position, December 31	<u><u>\$ 1,346,531.85</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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 982,301.09	\$ 2,786.45	\$ 985,087.54
Prepaid Expenses	6,321.20		6,321.20
Total Assets	<u>\$ 988,622.29</u>	<u>\$ 2,786.45</u>	<u>\$ 991,408.74</u>
FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 5,053.97		\$ 5,053.97
Total Liabilities	<u>5,053.97</u>	<u>-</u>	<u>5,053.97</u>
Fund Balances:			
Nonspendable	6,321.20		6,321.20
Restricted:			
Debt Service		\$ 2,786.45	2,786.45
Future Capital Outlay	399,227.00		399,227.00
Assigned:			
Other Purposes	71,874.25		71,874.25
Unassigned	506,145.87		506,145.87
Total Fund Balances	<u>983,568.32</u>	<u>2,786.45</u>	<u>986,354.77</u>
Total Liabilities and Fund Balances	<u>\$ 988,622.29</u>	<u>\$ 2,786.45</u>	

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 \$1,333,675.72.

360,177.08

Net position of governmental activities

\$ 1,346,531.85

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, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Amount to be Raised by Taxation to Support the District Budget	\$ 277,200.00		\$ 277,200.00
Non-Budgetary Revenues	14,652.09		14,652.09
Total Revenues	291,852.09	-	291,852.09
EXPENDITURES:			
Operating Appropriations:			
Administration	63,426.75		63,426.75
Cost of Operations and Maintenance	47,966.55		47,966.55
LOSAP (P.L. 1997, c.388)	5,022.00		5,022.00
Total Expenditures	116,415.30	-	116,415.30
Excess of Revenues over Expenditures	175,436.79	-	175,436.79
Fund Balance, January 1	808,131.53	\$ 2,786.45	810,917.98
Fund Balance, December 31	<u>\$ 983,568.32</u>	<u>\$ 2,786.45</u>	<u>\$ 986,354.77</u>

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 175,436.79
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	(63,031.75)
Change in Net Position of Governmental Activities	\$ 112,405.04

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

TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3

Fiduciary Fund
Private-Purpose Trust Fund
Statement of Fiduciary Net Position
December 31, 2017

	Length of Service Awards <u>Program</u>
ASSETS:	
Investments	\$ 204,498.08
Total Assets	<u>204,498.08</u>
NET POSITION:	
Held in Trust for Plan Participants	<u>\$ 204,498.08</u>

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

TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3
 Fiduciary Fund
 Private-Purpose Trust Fund
 Statement of Changes in Fiduciary Fund Net Position
 For the Year Ended December 31, 2017

	<u>Length of Service Awards Program</u>
ADDITIONS:	
Contributions:	
Fire District's Contributions	\$ 5,022.00
Earnings:	
Net Appreciation	28,759.18
Net Investment Earnings	28,759.18
Total Additions	33,781.18
DEDUCTIONS:	
Administration Expenses	275.00
Total Deductions	275.00
Change in Net Position	33,506.18
Net Position, January 1	170,991.90
Net Position, December 31	\$ 204,498.08

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

TOWNSHIP OF PITTSGROVE FIRE DISTRICT NO. 3

Notes to Financial Statements
For the Year Ended December 31, 2017

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. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by 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.

Component Units

In evaluating how to define the Fire District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fire District has no component units.

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.

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. Fiduciary funds are reported by fund type.

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 voted upon or 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.

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

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.

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.

In addition to governmental funds, the Fire District also reports a fiduciary fund. Fiduciary funds are used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund 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. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service.

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.

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

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 certified budget by the outstanding encumbrance amount as of the current year end.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**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, 2017.

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, 2017.

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.

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 cost at the time received.

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

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.

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 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 Statements for the year ended December 31, 2017:

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements during the year ended December 31, 2017 that will become effective for the Fire District in future years as shown below:

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 will become effective for the Fire District in the year ending December 31, 2018. 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, 2017, the Fire District's bank balances of \$915,333.79 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	<u>\$ 915,333.79</u>
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Note 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire District 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>
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
2014	183,114,211.00	268,771.00	0.143
2013	183,366,769.00	260,565.00	0.139

Note 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Capital Assets that are not being Depreciated:				
Land	\$ 169,924.80			\$ 169,924.80
Total Capital Assets not being Depreciated	<u>169,924.80</u>	<u>-</u>	<u>-</u>	<u>169,924.80</u>
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	<u>1,523,928.00</u>	<u>-</u>	<u>-</u>	<u>1,523,928.00</u>
Total Capital Assets, Cost	<u>1,693,852.80</u>	<u>-</u>	<u>-</u>	<u>1,693,852.80</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(30,000.00)			(30,000.00)
Vehicles and Apparatus	(1,227,017.55)	\$ (59,492.70)		(1,286,510.25)
Equipment	(13,626.42)	(3,539.05)		(17,165.47)
Total Accumulated Depreciation	<u>(1,270,643.97)</u>	<u>(63,031.75) *</u>	<u>-</u>	<u>(1,333,675.72)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	<u>253,284.03</u>	<u>(63,031.75)</u>	<u>-</u>	<u>190,252.28</u>
Capital Assets, Net	<u>\$ 423,208.83</u>	<u>\$ (63,031.75)</u>	<u>-</u>	<u>\$ 360,177.08</u>

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 63,031.75</u>
Total Depreciation Expense	<u>\$ 63,031.75</u>

Note 5: 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 6: 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 7: 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 8: FUND BALANCES APPROPRIATED - GENERAL FUND

The 2018 annual budget of the Fire District was adopted on January 8, 2018, and subsequently approved by the voters at the annual election held on February 17, 2018. The adopted budget did not utilize fund balance in the general fund.

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>
2017	\$ 983,568.32	None
2016	808,131.53	None
2015	615,444.67	None
2014	491,948.69	None
2013	641,475.11	None

Note 9: 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, 2017, are summarized as follows:

General Fund - The Fire District records prepaid expenses. As a result, because prepaid expenses is recorded as an asset, even though it does not represent expendable financial resources, it is necessary to set aside fund balance at year-end by an amount equal to the carrying value of the prepaid expenses. As of December 31, 2017, the nonspendable fund balance was \$6,321.20.

Note 9: FUND BALANCES (CONT'D)**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, 2017, the balance is \$399,227.00.

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, 2017, the balance is \$2,786.45.

ASSIGNED

As stated in note 1, 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. Specific assignments of the Fire District's fund balance are summarized as follows:

General Fund

Other Purposes - As of December 31, 2017, the balance assigned for the Length of Service Awards Program was \$71,874.25.

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, 2017, \$506,145.87 of general fund balance was unassigned.

Note 10: 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 fiduciary fund as a private-purpose trust, 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*.

Note 10: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

Plan Description (Cont'd) - The voters of the Fire District approved the adoption of the Plan at the general 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.

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 \$1,674.00 for the year ended December 31, 2017, 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.

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, 2017, 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 a trust 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.

Note 10: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

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, 2017, no accounts were forfeited.

Investments - The investments of the length of service awards program reported on the statement of fiduciary net position are recorded at fair value.

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

**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, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	\$ 962.00		\$ 962.00		\$ (962.00)
Amount to be Raised by Taxation to Support the District Budget	<u>277,200.00</u>		<u>277,200.00</u>	<u>\$ 277,200.00</u>	
Total Anticipated Revenues	<u>278,162.00</u>	<u>-</u>	<u>278,162.00</u>	<u>277,200.00</u>	<u>(962.00)</u>
Non-Budgetary Revenues:					
Miscellaneous				14,652.09	14,652.09
Total Non-Budgetary Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,652.09</u>	<u>14,652.09</u>
Total Revenues	<u>278,162.00</u>	<u>-</u>	<u>278,162.00</u>	<u>291,852.09</u>	<u>13,690.09</u>
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Other Expenses:					
Administrative Services	8,000.00		8,000.00	5,783.58	2,216.42
Office Expenses	2,500.00		2,500.00	573.39	1,926.61
Professional Services	9,000.00		9,000.00	8,090.00	910.00
Insurance	45,000.00	\$ 1,700.00	46,700.00	46,689.97	10.03
Physicals	3,500.00	(700.00)	2,800.00	2,050.00	750.00
Advertisements	650.00		650.00	239.81	410.19
Total Administration	<u>68,650.00</u>	<u>1,000.00</u>	<u>69,650.00</u>	<u>63,426.75</u>	<u>6,223.25</u>
Cost of Operations and Maintenance:					
Other Expenses:					
Building Maintenance	13,500.00	(3,500.00)	10,000.00	3,326.03	6,673.97
Equipment Repairs	10,500.00		10,500.00	6,143.38	4,356.62
Utilities	12,000.00		12,000.00	9,251.56	2,748.44
Vehicle Fuel & Oil	5,000.00		5,000.00	2,542.36	2,457.64
Training and Education	2,000.00		2,000.00	300.00	1,700.00
Other Assets - Non Bondable:					
Testing of Equipment		2,500.00	2,500.00	2,444.00	56.00
Miscellaneous Equipment	33,862.00		33,862.00	23,959.22	9,902.78
Miscellaneous	500.00		500.00		500.00
Total Cost of Operations and Maintenance	<u>77,362.00</u>	<u>(1,000.00)</u>	<u>76,362.00</u>	<u>47,966.55</u>	<u>27,895.45</u>
Length of Service Award Program	<u>16,000.00</u>		<u>16,000.00</u>	<u>5,022.00</u>	<u>10,978.00</u>
Capital Appropriations:					
Reserve for Future Capital Outlay	<u>116,150.00</u>	<u>-</u>	<u>116,150.00</u>	<u>-</u>	<u>116,150.00</u>
Total Expenditures	<u>278,162.00</u>	<u>-</u>	<u>278,162.00</u>	<u>116,415.30</u>	<u>161,246.70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,436.79</u>	<u>174,936.79</u>
Fund Balance, Beginning				<u>808,131.53</u>	
Fund Balance, Ending				<u>\$ 983,568.32</u>	
Recapitulation:					
Fund Balances:					
Nonspendable				\$ 6,321.20	
Restricted:					
Future Capital Outlay				399,227.00	
Assigned:					
Other Purposes				71,874.25	
Unassigned				<u>506,145.87</u>	
Total Fund Balance				<u>\$ 983,568.32</u>	

TOWNSHIP OF PITTSBORO FIRE DISTRICT NO. 3

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Year Ended December 31, 2017

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.	<u>\$ 291,852.09</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u><u>\$ 291,852.09</u></u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	<u>\$ 116,415.30</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u><u>\$ 116,415.30</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, 2017

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

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

