

TOWNSHIP OF LOWER FIRE DISTRICT #1
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2019

**YEAR END DECEMBER 31, 2019
TABLE OF CONTENTS**

| | <u>Exhibit</u> | <u>Page #</u> |
|-------------------------------------------------------------------------------------------|----------------|---------------|
| Independent Auditor's Report | | 1 - 3 |
| Required Supplemental Information - Part I | | |
| Management Discussion and Analysis | | 4 - 8 |
| Basic Financial Statements | | |
| Statement of Net Position | A | 9 |
| Statement of Activities | B | 10 |
| Balance Sheet - Governmental Funds | C | 11 |
| Reconciliation of the Governmental Fund Balance Sheet | D | 12 |
| Statement of Revenue, Expenditures and Changes in Fund Balance | E | 13 |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances | F | 14 |
| Statement of Fiduciary Net Assets | G | 15 |
| Notes to Basic Financial Statements | | 16 - 22 |
| Required Supplemental Information - Part II | | |
| Statement of Revenue, Expenditures and Changes in Fund Balance Budget to Actual | H | 23 |
| Other Supplementary Information | | |
| Independent Auditor's Report - government Auditing Standards | | 24-25 |
| Schedule of Findings and Responses | | 26 |
| Status of Prior Year Findings | | 27 |

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

FINANCIAL SECTION

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Township of Lower Fire District #1
Villas, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Board of Commissioners of the Township of Lower Fire District #1, 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 Township of Lower Fire District #1'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Qualified Opinion

As described in Note 9 of the financial statements, the District participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$200,639.32 was not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregated non-major funds of the board of commissioners of the Township of Lower Fire District #1, State of New Jersey, as of December 31, 2019, and the respective changes in financial position for the year 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* identified 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 9, 2020 on our consideration of the Board of Commissioners of the Township of Lower Fire District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Commissioners of the Township of Lower Fire District #1's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

October 9, 2020

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

REQUIRED SUPPLEMENTARY INFORMATION - PART I

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE TOWNSHIP OF LOWER FIRE DISTRICT #1

This Management Discussion and Analysis ("MD&A") of the Township of Lower Fire District #1's ("Fire District") financial performance provides an overall review of the Fire District's financial activities for the fiscal years ended December 31, 2019 and 2018. 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 basic financial statements and notes to enhance their understanding of the Fire District's financial performance.

This Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2019) and the prior year (2018) is required to be presented in the MD&A.

Overview

The Township of Lower Fire District #1, hereafter referred to as the "Fire District," is a primary governmental entity located in the Township of Lower, State of New Jersey. The Fire District is run by a board of commissioners who are elected into office by the registered voters of District #1 in the Township of Lower.

The Fire District is responsible for establishing a budget and maintaining fiscal control over public funds that are used to provide for the safety and welfare of the residents located within District #1 in the Township of Lower. Under existing statute, the Fire District is exempt from both Federal and State taxes.

The accounts of the Fire District are maintained in accordance with the principles of "fund accounting." The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Fire District.

Funding is acquired through property tax levies. In 2019 the total tax levy was \$562,700.00, which corresponds to a property tax rate of 0.060 per \$100 of assessed valuation.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position decreased \$12,266.48, which represents approximately an 8.7% decrease from 2018 due to operations.
- General Revenues in the form of property tax assessments accounted for \$562,700.01 or 99.17% of the total revenues of \$567,421.16.
- Total assets of governmental activities decreased by \$3,818.54. Capital assets increased \$73,403.21.
- The Fire District had \$579,687.64 in expenses. General revenues (primarily property tax assessments) were in the amount of \$567,421.16.

Reporting the Fire District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains only one fund used by the Fire District to provide programs and activities, the view of the Fire District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the modified accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting

takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's activities are reported as governmental activities. The District is primarily financed through the levying of property taxes.

These two statements report the Fire District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the commission as a whole, the financial position of the Fire District have improved or diminished. The causes of this change may be the result of many factors, some financial and some not.

The Fire District as a Whole

Recall that the Statement of Net Position provides the perspective of the Fire District as a whole. Net Position may serve over time as a useful indicator of a government's financial position.

The Fire District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

| Table 1 | | Net Position | |
|---------------------------------------|----|----------------------------|-------------------------------|
| | | <u>2019</u> | <u>2018</u> |
| Assets | | | |
| Current and Other Assets | \$ | 667,766.60 | \$ 744,988.35 |
| Capital Assets | | <u>751,549.89</u> | <u>678,146.68</u> |
| Total Assets | | <u>1,419,316.49</u> | <u>1,423,135.03</u> |
| Liabilities | | | |
| Other Liabilities | | <u>31,291.68</u> | <u>22,843.74</u> |
| Total Liabilities | | <u>31,291.68</u> | <u>22,843.74</u> |
| Net Position | | | |
| Invested in Capital Asset | | 751,549.89 | 678,146.68 |
| Restricted for: | | | |
| Restricted for Future Capital Outlays | | 472,990.00 | 553,302.00 |
| Unrestricted | | <u>163,484.92</u> | <u>168,842.61</u> |
| Total Net Position | \$ | <u><u>1,388,024.81</u></u> | <u><u>\$ 1,400,291.29</u></u> |

The Fire District's combined net position was \$1,388,024.81 on December 31, 2019. This was a 0.9% decrease from 2018.

The Fire District as a Whole - Continued

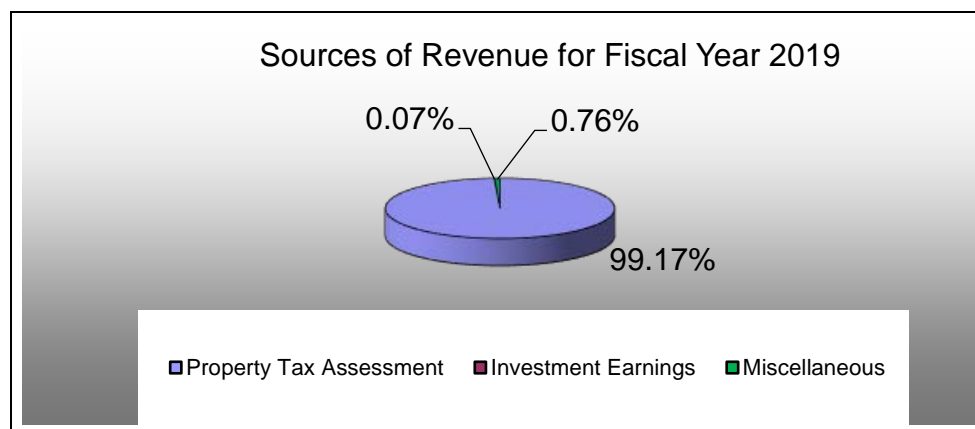
Table 2 shows changes in net position for fiscal year 2019 and 2018.

Table 2
Changes in Net Position

| | 2019 | 2018 |
|-----------------------------------------------|-----------------------|---------------------|
| Revenues | | |
| General Revenues: | | |
| Property Tax Assessments | \$ 562,700.01 | \$ 561,839.00 |
| Supplemental Fire Services Aid | 2,939.04 | 2,939.04 |
| Interest on Investments | 404.61 | 293.26 |
| Other | 1,377.50 | 4,396.97 |
| Total Revenues | <u>567,421.16</u> | <u>569,468.27</u> |
| Program Expenses | | |
| Administration | 54,732.12 | 46,342.27 |
| Cost of Operations | 524,803.74 | 499,257.97 |
| Debt Service | 151.78 | 3,492.00 |
| Total Expenses | <u>579,687.64</u> | <u>549,092.24</u> |
| Less: Excess of Revenue over Expenditures | | |
| Add: Deficiency of Expenditures over Revenues | | |
| Increase (Decrease) in Net Position | \$ <u>(12,266.48)</u> | \$ <u>20,376.03</u> |

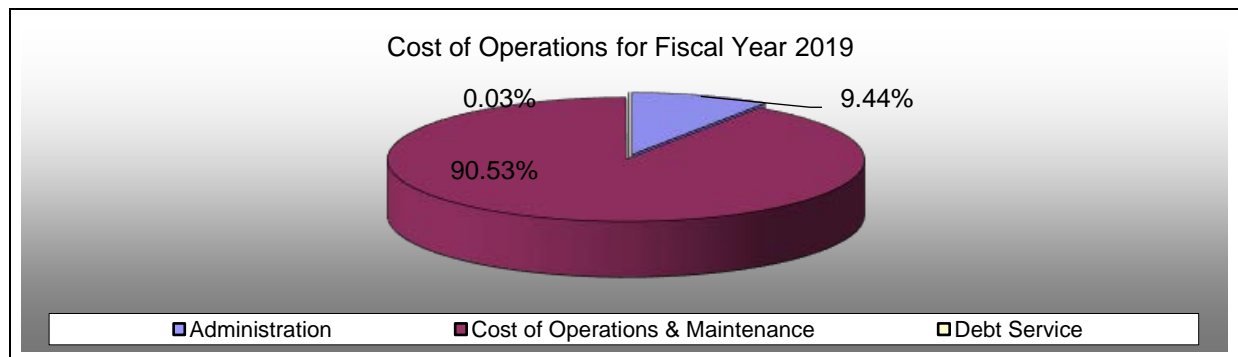
Governmental Activities

The property tax assessments made up 99.17% of revenues while investment earnings made up 0.07% of revenues and supplemental fire services revenues and other revenues made up the remaining 0.76% of revenues for fiscal year 2019. The Fire District's total revenues were \$567,421.16 for the year ended December 31, 2019.



Governmental Activities - Continued

The total cost of operations was \$579,687.64.



Business-Type Activities

The Fire District does not have any business-type activities.

The Fire District's Funds

The governmental fund (general fund presented in the fund-based statements) is accounted for using the modified accrual basis of accounting. Total revenues amounted to \$567,421.16 and expenditures were \$572,778.85.

As demonstrated by the various statements and schedules included in the financial section of this report, the Fire District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended December 31, 2019, and the amount and percentage of total revenues compared to prior year revenues.

| Revenue | 2019 Amount | Percentage of Total | 2018 Amount | Percentage of Total |
|--------------------------------|----------------|------------------------|----------------|------------------------|
| Property Taxes | \$ 562,700.01 | 99.17% | \$ 561,839.00 | 98.66% |
| Supplemental Fire Services Aid | 2,939.04 | 0.52% | 2,939.04 | 0.52% |
| Investment Earnings | 404.61 | 0.07% | 293.26 | 0.05% |
| Miscellaneous | 1,377.50 | 0.24% | 4,396.97 | 0.77% |
| Total | \$ 567,421.16 | 100.00% | \$ 569,468.27 | 100.00% |

The following schedule represents a summary of general fund expenditures for the fiscal year ended December 31, 2019, and the percentage of total expenditures compared to prior year amounts.

| <u>Expenditures</u> | <u>2019 Amount</u> | <u>Percentage of Total</u> | <u>2018 Amount</u> | <u>Percentage of Total</u> |
|-------------------------|------------------------|--------------------------------|------------------------|--------------------------------|
| Current Expense: | | | | |
| Administration | \$ 54,732.12 | 9.56% | \$ 46,342.27 | 6.07% |
| Operation & Maintenance | 418,046.73 | 72.98% | 408,383.39 | 53.53% |
| Capital Outlay | 100,000.00 | 17.46% | 230,000.00 | 30.15% |
| Debt Service | - | 0.00% | 78,138.86 | 10.24% |
| Total | \$ <u>572,778.85</u> | <u>100.00%</u> | \$ <u>762,864.52</u> | <u>100.00%</u> |

General Fund Budgeting Highlights

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the Future

The Township of Lower Fire District #1 is in good financial condition presently.

In conclusion, the Township of Lower Fire District #1 has committed itself to financial excellence for many years. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.

THE ORGANIZATION:

The Fire District is governed by a five member Board of Commissioners who establishes the policies and plans to meet the current and future needs for the Fire District. The members of the Fire District Board of Commissioners at December 31, 2019, are set forth below:

| <u>Name</u> | <u>Position Held</u> |
|------------------|----------------------|
| William J Howard | Chairman |
| Linda Brannon | Treasurer |
| Carrise Mornick | Secretary |
| Joseph Wareham | Vice-Chairman |
| Dale Gentek | Commissioner |

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Chairman of the Board of Fire Commissioners, Lower Township Fire District #1, Villas, N.J. 08251.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

FINANCIAL STATEMENTS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | Governmental Activities |
|---------------------------------------|----------------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 484,564.85 |
| Prepaid Expenses | 7,358.00 |
| Tax Levy Receivable | 175,843.75 |
| Capital Assets: | |
| Capital Assets Being Depreciated, Net | 751,549.89 |
| | <hr/> |
| Total Assets | \$ 1,419,316.49 |
| | <hr/> <hr/> |
| LIABILITIES | |
| Due to LOSAP trust fund | \$ 25,075.80 |
| Accounts Payable | 6,215.88 |
| | <hr/> |
| Total Liabilities | 31,291.68 |
| | <hr/> <hr/> |
| NET POSITION | |
| Invested in Capital Assets | 751,549.89 |
| Restricted for: | |
| Capital Projects | 472,990.00 |
| Other Purposes | - |
| Unrestricted | 163,484.92 |
| | <hr/> |
| Total Net Position | \$ 1,388,024.81 |
| | <hr/> <hr/> |

The Accompanying Notes to the Financial Statements are an integral part of this statement

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Program Revenue | Net (Expenses)/Revenues and Changes in Net Position |
|-------------------------------|--------------|------------------------------------------|-----------------------------------------------------------|
| | Expenses | Fees, Fines & Charges For Services | Governmental Activities |
| Governmental Activities: | | | |
| Fire Protection: | | | |
| Administration | \$ 54,732.12 | \$ | (54,732.12) |
| Cost of Providing Services | 524,803.74 | | (524,803.74) |
| Interest on Long-Term Debt | 151.78 | | (151.78) |
| Total Expenses | 579,687.64 | - | (579,687.64) |
| Total Governmental Activities | 579,687.64 | - | (579,687.64) |
| General Revenues: | | | |
| Taxes | | | 562,700.01 |
| Interest | | | 404.61 |
| Other Revenue | | | 4,316.54 |
| Total General Revenues | | | 567,421.16 |
| Change in Net Position | | | (12,266.48) |
| Net Position - Beginning | | | 1,400,291.29 |
| Net Position - Ending | | \$ | 1,388,024.81 |

The Accompanying Notes to the Financial Statements are an integral part of this statement

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|-----------------------------------------|-------------------|-----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 484,564.85 | \$ | \$ 484,564.85 |
| Prepaid Expenses | 7,358.00 | | 7,358.00 |
| Due from other funds | | 472,990.00 | 472,990.00 |
| Tax Levy Receivable | 175,843.75 | | 175,843.75 |
| Total Assets | \$ 667,766.60 | \$ 472,990.00 | \$ 1,140,756.60 |
| LIABILITIES AND FUND BALANCES | | | |
| Accounts payable | \$ 6,215.88 | \$ | \$ 6,215.88 |
| Due to other funds | 498,065.80 | | 498,065.80 |
| Total Liabilities | 504,281.68 | - | 504,281.68 |
| FUND BALANCE | | | |
| Non-Spendable Fund Balance: | | | |
| Prepaid Expenses | 7,358.00 | | 7,358.00 |
| Restricted Fund Balance: | | | |
| Reserved for Future Capital Outlays | | 472,990.00 | 472,990.00 |
| for Turnout Gear | 1,800.00 | | 1,800.00 |
| for Self Contained Breathing Apparatus | 346.00 | | 346.00 |
| Unassigned Fund Balance | 153,980.92 | | 153,980.92 |
| | 163,484.92 | 472,990.00 | 636,474.92 |
| Total Liabilities and Fund Balances | \$ 667,766.60 | \$ 472,990.00 | \$ 1,140,756.60 |

The Accompanying Notes to the Financial Statements are an integral part of this statement

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Total fund balances for governmental funds | \$ 636,474.92 |
| Capital assets used in governmental activities are not resources and therefore are not reported in the funds. The cost of the assets is \$2,386,241.32 and the accumulated depreciation is \$1,634,691.43 | 751,549.89 |
| Total net position of governmental activities | \$ <u>1,388,024.81</u> |

The Accompanying Notes to the Financial Statements are an integral part of this statement

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|------------------------------------------------|----------------------|--------------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 562,700.01 | \$ | \$ 562,700.01 |
| Supplemental Fire Services Aid | 2,939.04 | | 2,939.04 |
| Interest | 404.61 | | 404.61 |
| Proceeds from Sale of Fixed Assets | - | | - |
| Miscellaneous | 1,377.50 | | 1,377.50 |
| Total Revenues | <u>567,421.16</u> | <u>-</u> | <u>567,421.16</u> |
| EXPENDITURES | | | |
| Administrative | 54,732.12 | | 54,732.12 |
| Fire Protection | 316,602.03 | | 316,602.03 |
| Non-Bondable Assets | 76,368.90 | 180,312.00 | 256,680.90 |
| Length of Service Awards Program | 25,075.80 | | 25,075.80 |
| Debt Service: | | | |
| Principal | - | | - |
| Interest | - | | - |
| Total Expenditures | <u>472,778.85</u> | <u>180,312.00</u> | <u>653,090.85</u> |
| Excess/(Deficit) of revenues over expenditures | <u>94,642.31</u> | <u>(180,312.00)</u> | <u>(85,669.69)</u> |
| Other Financing Sources/(Uses) | | | |
| Operating Transfers In/(Out) | <u>(100,000.00)</u> | <u>100,000.00</u> | <u>-</u> |
| Total Other Financing Sources/(Uses) | <u>(100,000.00)</u> | <u>100,000.00</u> | <u>-</u> |
| Net Change in Fund Balance | <u>(5,357.69)</u> | <u>(80,312.00)</u> | <u>(85,669.69)</u> |
| Fund balance beginning | 168,842.61 | 553,302.00 | 722,144.61 |
| Fund balance ending | <u>\$ 163,484.92</u> | <u>\$ 472,990.00</u> | <u>\$ 636,474.92</u> |

The Accompanying Notes to the Financial Statements are an integral part of this statement

**RECONCILIATION OF THE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | | |
|-------------------------------------------------------|----|-------------|
| Net change in fund balance - total governmental funds | \$ | (85,669.69) |
|-------------------------------------------------------|----|-------------|

The change in net position for governmental activities in the statement of activities is different because:

Capital outlays are reported in governmental funds as expenditures.

However, on 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 current fiscal year.

| | | |
|----------------------|--|--------------|
| Depreciation expense | | (108,761.79) |
| Capital Additions | | 182,165.00 |

| | | |
|-------------------------------------------------|----|-------------|
| Change in Net Assets of Governmental Activities | \$ | (12,266.48) |
|-------------------------------------------------|----|-------------|

The Accompanying Notes to the Financial Statements are an integral part of this statement

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2019
(UNAUDITED)

| | Expendable Trust Fund |
|-------------------------|-----------------------------|
| | <hr/> |
| ASSETS | |
| Investments | \$ 175,563.52 |
| Due from other funds | 25,075.80 |
| | <hr/> |
| Total Assets | <u>\$ 200,639.32</u> |
| | <hr/> |
| NET ASSETS | |
| Held in Trust for LOSAP | <u>\$ 200,639.32</u> |
| | <hr/> |

The Accompanying Notes to the Financial Statements are an integral part of this statement

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

NOTES TO THE FINANCIAL STATEMENTS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Lower Fire District #1 (the Fire District) have been prepared in conformity 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 more significant of the Fire District's accounting policies are described below.

A. Reporting Entity

The Fire District's basic financial statements include the accounts of all the Fire District's operations. The Fire District, as a special-purpose government, meets the criteria defining a primary government. As set forth in Government Accounting Standards Board (GASB) 14, a primary government is also a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

The Fire District's basic financial statements consist of a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

District-Wide Financial Statements: The statement of net position and the statement of activities display information about the Fire District as a whole. These statements report financial activities of the overall Fire District. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by District assessments, intergovernmental revenues, and other non-exchange transactions from business-type activities, if any, generally financed in whole or in part with fees charged to external parties.

The statement of net assets presents the financial condition of the Fire District at year end. The statement of activities presents a comparison between direct expenses and program revenues for the governmental activity of the Fire District.

Fund Financial Statements: During the fiscal year, 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. The fund financial statements provide information about the Fire District's funds.

Governmental Funds

The Fire District reports the following governmental funds:

General Fund – The general operating fund of Fire District, accounts for all administrative and operational activities of the Fire District.

Capital Fund – The accounting for expenditures for property, plant and equipment financed by debt authorized of form restricted grants is contained in the Capital Fund, as is the related debt issued and outstanding.

Fiduciary Fund – The fiduciary fund is made of an expendable trust fund used to account for funds held in trust for the Length of Service Award Program (LOSAP), a deferred compensation plan for eligible volunteers.

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The District-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. Property tax assessments are recognized as revenues in the year in which they are levied.

Contributions and grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

C. Budget/Budgetary Control

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The operating budget, adopted annually, is in the form prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

D. Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include various checking and money market accounts, U.S. obligations, and certificates of deposit with maturities of three months or less.

Investments are carried at cost with associated premiums and discounts amortized over the term of the investment. Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. These investments are required to have a maturity date not more than twelve months from the date of Purchase.

Additionally, the Fire District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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 Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks 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 full amount of their deposits to the governmental units.

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

Capital Assets

The Fire District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by the Fire District is \$2,500.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 12 years for equipment and vehicles.

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported on the district-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.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing (if any) used for the acquisition, construction, or improvement of those assets. Net position are 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.

Fund Balances

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District classifies governmental fund balances as follows;

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Commissioners, or Treasurer.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

E. Recent Accounting Pronouncements Not Yet Effective

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, may have an effect on the City's financial reporting.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any an effect on the City's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any an effect on the City's financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91 "Conduit Debt Obligations". This statement, which is effective for fiscal periods beginning after December 15, 2020, will not have any an effect on the City's financial reporting.

In January 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 92 "Omnibus 2020". This statement, which is effective for fiscal periods beginning after June 15, 2020, will not have any an effect on the City's financial reporting.

(this space is intentionally left blank)

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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 may not be recovered. Although the District does not have a policy for 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. Of the Fire District's bank balance of \$494,288.24 as of December 31, 2019, \$0 was uninsured and uncollateralized.

Investments

The District does not have any "unaudited" investments at December 31, 2019.

NOTE 3 - GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2019, follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---------------------------------------------|------------------------------|---------------------|--------------------|---------------------------|
| Equipment | \$ 362,482.22 | | | \$ 362,482.22 |
| Motor Vehicles | 1,841,594.10 | 182,165.00 | | 2,023,759.10 |
| Totals at Historical Cost | <u>2,204,076.32</u> | <u>182,165.00</u> | | <u>2,386,241.32</u> |
| Less Accumulated Depreciation for: | | | | |
| Equipment | (282,056.08) | (33,817.46) | | (315,873.54) |
| Motor Vehicles | <u>(1,243,873.56)</u> | <u>(74,944.33)</u> | | <u>(1,318,817.89)</u> |
| Total Accumulated Depreciation | <u>(1,525,929.64)</u> | <u>(108,761.79)</u> | | <u>(1,634,691.43)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 678,146.68</u> | <u>\$ 73,403.21</u> | <u>\$ -</u> | <u>\$ 751,549.89</u> |

NOTE 4 - CAPITAL LEASES

At a Special Meeting held on February 28, 2019, the voters of Lower Township Fire District #1 approved the purchase of a new fire truck for an amount not to exceed \$700,000.00. On January 9, 2020 the District entered into a capital lease with TD Equipment Finance to acquire the new truck. The principal amount of the capital lease is \$484,292.00 with a 2.84% rate of interest. The total minimum lease payments equal \$77,263.89. The net book value of the fire truck is \$484,292.00 at December 31, 2019.

(this space is intentionally left blank)

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

NOTE 5 - RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2019 are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|----------------------|---------------------------------|------------------------------|
| Current | \$ | \$ 498,065.80 |
| General Capital Fund | 472,990.00 | |
| Fiduciary Fund | 25,075.80 | |
| Total | \$ 498,065.80 | \$ 498,065.80 |

As of December 31, 2019, an interfund remained from the General Fund to the Fiduciary Fund in the amount of \$25,075.80 for LOSAP. The interfund is due to the 2019 LOSAP contribution due at year end. The interfund will be repaid in the subsequent year.

As of December 31, 2019, an interfund remained from the General Fund to the Capital Projects Fund in the amount of \$472,990.00. The interfund is due to the fact that Capital Projects does not have a separate bank account.

NOTE 6 - INTERLOCAL SERVICE AGREEMENT

The Fire District has an agreement with the Villas Volunteer Fire Company. This agreement states that the Villas Volunteer Fire Company will provide the Lower Township Fire District with necessary fire extinguishment services including manpower and equipment for a fee of \$99,999.99.

NOTE 7 - LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2001, the voters of Lower Township Fire District #1 approved establishment of a Length of Service Awards Program (LOSAP) deferred compensation plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP document. The plan is administered by Lincoln Life Insurance Company and Lincoln Financial Group, its agent. The LOSAP Deferred Compensation Plan has not been audited.

(this space is intentionally left blank)

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

NOTE 8 - FUND BALANCES

Restrictions of funds balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The Fire District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Fire District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be spent first when expenditures are made.

Specific classifications of fund balance are summarized below:

Non-Spendable Fund Balance – The Fire District had non-spendable fund balance of \$7,358.00 for prepaid expenses at December 31, 2019.

Restricted Fund Balance

Capital Projects – \$472,990.00 is restricted for Future Capital Projects.

Committed Fund Balance - The Fire District had fund balance committed to the purchase of equipment in the amount of \$2,146.00 at December 31, 2019.

Unassigned Fund Balance – At December 31, 2019, the Fire District has \$153,980.92 of unassigned fund balance in the general fund.

NOTE 9 - SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2019 and October 9, 2020, the date that the financial statements were issued, for possible disclosure and recognition in the financial statements.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

REQUIRED SUPPLEMENTARY INFORMATION - PART II

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget | Adjusted Final Budget | Actual | Variance - Over (Under) |
|----------------------------------------------------------------------------------------------------------------------|---------------|-----------------------------|---------------|-------------------------------|
| Revenues: | | | | |
| District Taxes | \$ 562,700.00 | \$ 562,700.00 | \$ 562,700.01 | \$ 0.01 |
| Fund Balance Appropriated | 50,000.00 | 50,000.00 | - | (50,000.00) |
| Supplemental Fire Services Aid | | | 2,939.04 | 2,939.04 |
| Interest on Deposits and Investments | | | 404.61 | 404.61 |
| Miscellaneous | | | 1,377.50 | 1,377.50 |
| Total Revenues | 612,700.00 | 612,700.00 | 567,421.16 | (45,278.84) |
| Expenditures: | | | | |
| Operating and Maintenance: | | | | |
| Administration: | | | | |
| Salaries and Wages | 22,000.00 | 22,000.00 | 22,000.00 | - |
| Election | 4,000.00 | 4,000.00 | 6,813.63 | (2,813.63) |
| Professional Services - Administration | 25,000.00 | 25,000.00 | 23,831.00 | 1,169.00 |
| Office Expenses | 4,000.00 | 4,000.00 | 2,087.49 | 1,912.51 |
| Total Administration | 55,000.00 | 55,000.00 | 54,732.12 | 267.88 |
| Cost of Operations & Maintenance: | | | | |
| Advertising | 2,000.00 | 2,000.00 | 980.44 | 1,019.56 |
| Insurance Premiums | 36,000.00 | 36,000.00 | 33,637.46 | 2,362.54 |
| Maintenance and Repairs | 76,000.00 | 76,000.00 | 48,795.76 | 27,204.24 |
| Membership Dues | 300.00 | 300.00 | 300.00 | - |
| Fire Contract | 99,000.00 | 99,000.00 | 99,999.99 | (999.99) |
| Training and Education | 14,000.00 | 14,000.00 | 10,769.16 | 3,230.84 |
| Uniforms | 3,000.00 | 3,000.00 | 2,601.56 | 398.44 |
| Utilities and Related Services | 10,000.00 | 10,000.00 | 12,660.50 | (2,660.50) |
| Fire Hydrant Rent | 14,000.00 | 14,000.00 | 15,521.00 | (1,521.00) |
| Fuel | 10,000.00 | 10,000.00 | 6,107.80 | 3,892.20 |
| Lower Twp. Fire Bureau | 19,000.00 | 19,000.00 | 19,000.00 | - |
| Hepatitis B Shots & Physicians | 5,000.00 | 5,000.00 | 4,768.00 | 232.00 |
| Facility Maintenance | 14,500.00 | 14,500.00 | 17,260.98 | (2,760.98) |
| Rent | 1,000.00 | 1,000.00 | 100.00 | 900.00 |
| Post Retirement Benefits - Fire Bureau | 15,000.00 | 15,000.00 | 15,000.00 | - |
| Meals and Entertainment | 1,500.00 | 1,500.00 | 446.76 | 1,053.24 |
| EZ Pass | 100.00 | 100.00 | 100.00 | - |
| Miscellaneous | 8,000.00 | 8,000.00 | 20,569.22 | (12,569.22) |
| Site Remediation Annual Fee | - | - | 7,983.40 | (7,983.40) |
| Non-Bondable Assets | 92,300.00 | 92,300.00 | 76,368.90 | 15,931.10 |
| Total Cost of Operations and Maintenance | 420,700.00 | 420,700.00 | 392,970.93 | 27,729.07 |
| Debt Service: | | | | |
| Capital Leases - Principal | - | - | - | - |
| Capital Leases - Interest | - | - | - | - |
| Total Debt Service | - | - | - | - |
| Capital Outlay - Reserve for Future Capital Outlays | 100,000.00 | 100,000.00 | 100,000.00 | - |
| Total Expenditures | 575,700.00 | 575,700.00 | 547,703.05 | 27,996.95 |
| Excess of Revenues Over Expenditures | 37,000.00 | 37,000.00 | 19,718.11 | (17,281.89) |
| Other Financing (Uses): | | | | |
| Operating Transfers (Out): | | | | |
| (LOSAP) - Contribution (PL 1997, C 388) | (37,000.00) | (37,000.00) | (25,075.80) | 11,924.20 |
| Total Other Financing (Uses) | (37,000.00) | (37,000.00) | (25,075.80) | 11,924.20 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | - | - | (5,357.69) | (5,357.69) |
| Fund Balances - Beginning of Year | 168,842.61 | 168,842.61 | 168,842.61 | - |
| Fund Balances - End of Year | \$ 168,842.61 | \$ 168,842.61 | \$ 163,484.92 | \$ (5,357.69) |

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

OTHER SUPPLEMENTARY INFORMATION

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Township of Lower Fire District #1
Villas, New Jersey 08251

We have audited, in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements of the Township of Lower Fire District #1, State of New Jersey (the "District"), 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 October 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 District's financial statements are free of 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.

District's Responses to Findings

The District's response to the findings identified in our audit is described in the accompanying Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

October 9, 2020

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

FINDINGS AND RECOMMENDATIONS

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDING DECEMBER 31, 2019

None