

BOARD OF FIRE

COMMISSIONERS

UPPER TOWNSHIP FIRE DISTRICT #4

TOWNSHIP OF UPPER, NEW JERSEY

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

**BOARD OF COMMISSIONERS
UPPER TOWNSHIP FIRE DISTRICT #4**

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FORD-SCOTT

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Independent Auditor's Report

The Board of Commissioners
of Upper Township Fire District #4
Seaville, 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 Upper Township Fire District #4, 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 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 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. 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 and 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 opinion.

Basis for Qualified Opinion

As described in Note 6 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 \$144,641 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 and each major fund of the Board of Commissioners of Upper Township Fire District #4, 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* 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 July 20, 2018 on our consideration of the Board of Commissioners of Upper Township Fire District #4, 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 Upper Township Fire District #4 internal control over financial reporting and compliance.

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Harvey C. Cocozza, Jr.

Harvey C. Cocozza, Jr.
Certified Public Accountant
Registered Municipal Accountant
No. 551

July 20, 2018

Management Discussion and Analysis

This section of the Upper Township Fire District #4's (District's) annual financial report presents management's analysis of the District's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

The District's net position has decreased as a result of an excess of expenditures over revenues. Throughout 2017, the District continued its commitment to the safety and protection of the residents of the District while attempting to curb expenditures without compromising the safety and welfare of the residents of the District. Overall, management believes the District's financial condition is strong. The following are key financial highlights:

- Total assets at year-end were \$6,960. Net position at year-end was \$6,960.
- At year-end, unreserved, undesignated fund balance for the general fund was \$6,960, or 1.3% of total general fund expenditures.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational information were used for this analysis.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. The District's operations are conducted solely through a general fund.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities report information about the District as a whole, these statements include all assets and liabilities using the full accrual basis of accounting. All of the current year's revenues and expenses are taken into account when the revenue is earned or the expense is incurred. These two statements report the District's net position and changes in them. One can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating. The reader will, however, need to consider other non-financial factors, such as changes in the District's tax base, to assess the overall health of the District.

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

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. The fund is reported using the modified accrual method of 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 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 District's programs. We describe the differences between governmental activities and governmental funds in a reconciliation detailed on Exhibit F.

The District as a Whole

The District's beginning net position was \$6,694 and the ending net position is \$6,960 representing an increase of \$266.

The following is a summary of the District's Net Position as of December 31:

ASSETS	2017	2016
Cash and cash equivalents	\$ 6,960	6,694
Total Assets	<u>6,960</u>	<u>6,694</u>
 LIABILITIES		
None	-	-
Total Liabilities	<u>-</u>	<u>-</u>
 NET POSITION		
Unrestricted	6,960	6,694
Total Net Position	<u>\$ 6,960</u>	<u>6,694</u>

The following is the summary of the changes in Net Position for the year ended December 31:

	2017	2016	\$ Change	% Change
General Revenues:				
Tax Levy	\$ 542,895	532,250	10,645	2%
Interest	44	44	-	0%
Total Revenue	542,939	532,294	10,645	2%
Expenses:				
Fire Protection				
Insurance	41,854	41,902	(48)	0%
Maintenance of Fire Equipment	36,485	50,475	(13,990)	-28%
Maintenance of Fire House	13,602	26,392	(12,790)	-48%
Utilities	10,845	11,108	(263)	-2%
Fire Contract	81,766	80,574	1,192	1%
Fuel & Heater Maintenance	4,389	3,344	1,045	31%
First Responder Program	-	366	(366)	-100%
Health & Wellness	5,264	5,425	(161)	-3%
Rental of Fire Equipment	94,171	67,360	26,811	40%
Rental of Fire House	154,574	154,574	-	0%
Rental of Personal Protective Equip.	9,000	5,000	4,000	80%
Maintenance of Radio Equipment	4,569	7,274	(2,705)	-37%
Small Equipment Purchases	28,269	23,999	4,270	18%
Computer Expenses	4,877	4,358	519	12%
Hydrant Maintenance	12,445	10,568	1,877	18%
Length of Service Awards Program	24,535	24,000	535	2%
General and Administrative				
Accounting Fees	4,950	4,950	-	0%
Legal Fees	6,676	6,112	564	9%
Commissioners Expense	4,402	4,514	(112)	-2%
Total Expenses	542,673	532,295	10,378	2%
Increase/(Decrease) In Net Position	\$ 266	(1)	267	26700%

Governmental Fund Financial Analysis

Governmental funds and Trust Funds represent 100% of the District's funds; the District has no enterprise funds.

At the end of 2017 the District's governmental funds reported a combined fund balance of \$6,960, an increase of \$266 compared to 2016. The increase is due to the excess of revenues over expenditures.

General Trends and Significant Events

The District continues to fund the LOSAP program which was approved by voters in 1999. The program has been successful in maintaining and bringing in additional membership to the Volunteers who serve the District.

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional financial information, contact the Chairman of the Board of Fire Commissioners, Upper Township Fire District #4, 36 State Hwy 50, Seaville, NJ 08230.

UPPER TOWNSHIP FIRE DISTRICT #4
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS	
Cash and cash equivalents	\$ 6,960
Total Assets	<u>6,960</u>
LIABILITIES	
None	
Total Liabilities	<u>-</u>
NET POSITION	
Invested in capital assets, net of related debt Unrestricted	6,960
Total Net Position	<u>\$ 6,960</u>

UPPER TOWNSHIP FIRE DISTRICT #4
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Position
Governmental ..			
Fire Protection:			
Insurance	\$ 41,854		
Maintenance of Fire Equipment	36,485		
Maintenance of Fire House	13,602		
Utilities	10,845		
Fire Contract	81,766		
Fuel and Heater Maintenance	4,389		
First Responder Program	-		
Rental of Fire Equipment	94,171		
Health and Wellness	5,264		
Rental of Fire House	154,574		
Rental of Personal Protective Equipment	9,000		
Maintenance of Radio Equipment	4,569		
Small Equipment Purchases	28,269		
Computer Expenses	4,877		
Hydrant Maintenance	12,445		
Length of Service Awards Program	24,535		
Total Fire Protection Expenses	<u>526,645</u>		<u>(526,645)</u>
General and Administrative			
Accounting Fees	4,950		
Legal Fees	6,676		
Commissioners Expense	4,402		
Total General and Administrative	<u>16,028</u>		<u>(16,028)</u>
Total Governmental Activities	<u>542,673</u>	-	<u>(542,673)</u>
General Revenues:			
Taxes			542,895
Interest			44
Total General Revenues			<u>542,939</u>
Change in Net Position			266
Net Position - Beginning			6,694
Net Position - Ending			<u>\$ 6,960</u>

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

UPPER TOWNSHIP FIRE DISTRICT #4
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

ASSETS	General Fund
Cash and cash equivalents	\$ 6,960
Total Assets	<u>6,960</u>
LIABILITIES AND FUND BALANCES	
None	
Total Liabilities	<u>-</u>
FUND BALANCE	
Unassigned	6,960
Total Liabilities and Fund Balances	<u>\$ 6,960</u>

Exhibit D

UPPER TOWNSHIP FIRE DISTRICT #4
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total fund balances for governmental funds	\$ 6,960
Total net position of governmental activities	<u>\$ 6,960</u>

Exhibit E

UPPER TOWNSHIP FIRE DISTRICT #4
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund
REVENUES	
Property taxes	\$ 542,895
Interest	44
Total Revenues	<u>542,939</u>
EXPENDITURES	
Cost of Operations and Maintenance	526,645
Administration	16,028
Total Expenditures	<u>542,673</u>
Excess of expenditures over revenue	266
Fund balance beginning	6,694
Fund balance ending	<u><u>\$ 6,960</u></u>

UPPER TOWNSHIP FIRE DISTRICT #4
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

Net change in fund balance - total governmental funds

\$ 266

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

None

Change in net position of governmental funds

\$ 266

Exhibit G

UPPER TOWNSHIP FIRE DISTRICT #4
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2017
UNAUDITED

ASSETS:		<u>Expendable Trust Fund</u>
Annuity - Contract Value	\$ 144,641	
Total assets	<u>144,641</u>	
LIABILITIES AND NET ASSETS		
Net Assets Held in Trust for LOSAP	144,641	
Total liabilities and net assets	<u>144,641</u>	
		<u>\$ 144,641</u>

Upper Township Fire District #4
Notes to Financial Statements
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Commissioners of Upper Township Fire District #4 operates with an elected Board of Commissioners. The District performs fire protection services in the Township of Upper, Cape May County, New Jersey.

The financial statements of the Board of Commissioners of Upper Township Fire District #4 (the "District"), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

The District is an instrumentality/subordinate entity of the State of New Jersey, established to function as a taxing entity to provide fire suppression in the Seaville area of Upper Township. The Board consists of five (5) elected officials and is responsible for the fiscal control of the District. A secretary and treasurer are appointed by the Board and are responsible for the administrative control of the District.

The District is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board standards.

B. Basic Financial Statements - Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District has no business type activities. In the government-wide Statement of Net Position, the governmental column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts—invested in capital assets, net of related debt, restricted and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc). The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Upper Township Fire District #4
Notes to Financial Statements
December 31, 2017

C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

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

Fiduciary Funds of the District are:

- a. Expendable trust funds are used to account for assets held by the District as a trustee for individuals, other governments or other entities. Expendable trust funds account for assets where both the principal and interest may be spent.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Cash Equivalents:

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

Upper Township Fire District #4
Notes to Financial Statements
December 31, 2017

2. Capital Assets:

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

3. Fund Balances – Governmental Funds:

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, ect.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Commissioners, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Commissioners.
- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Board of Commissioners.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

4. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue. In applying GASB standards to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Upper Township Fire District #4
Notes to Financial Statements
December 31, 2017

5. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are purchased.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared each year for the general fund. The budgets are submitted to the Bureau of Authority Regulations Division of Local Government Services and are voted upon at the annual District's election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. All budget transfers must be approved by resolution of the Fire Commissioners, as well as the State of New Jersey. No material budget transfers were made during the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year which complies with generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the government fund types. Unencumbered appropriations lapse at fiscal year end.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the District's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the District's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

Upper Township Fire District #4
Notes to Financial Statements
December 31, 2017

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the District's financial reporting.

NOTE 2: INVESTMENTS

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits District investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer.

Unaudited Investments

As more fully described in Note #6, the District has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the District. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Financial Advisors, which is an authorized provider approved by the Division of Local Government Services. Information on the investments is not available at this time.

NOTE 3: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds or fund that may pass to the District relative to the happening of a future condition. As of December 31, 2016, \$0 of the District's bank balance of \$72,351 was exposed to custodial credit risk.

Upper Township Fire District #4
Notes to Financial Statements
December 31, 2017

NOTE 4: RELATED PARTY TRANSACTIONS

The Fire District has signed an agreement with Seaville Volunteer Fire Company. This agreement states that Seaville Volunteer Fire Company will provide Upper Township Fire District #4 with necessary fire extinguishment services including manpower for a fee of \$81,766. The fee for the 2018 calendar year will be \$81,766.

The District also has an agreement with the Seaville Volunteer Fire Company to rent (1) fire trucks, (2) firehouse/truck bays, and (3) personal protective equipment. Total amounts paid for these rents in 2017 were \$94,171, \$154,574, and \$9,000, respectively. For 2018, the budgeted rental fee for the remains at \$94,171, the rental of firehouse remains at \$154,574 and the rental fee for personal protective equipment remains at \$5,000. These rental agreements are approved annually.

NOTE 5: RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to torts, theft, casualty, errors and omissions and other losses for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the past two years and there has been no decrease in coverage.

NOTE 6: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 1999 the voters of Upper Township Fire District No. 4 approved the 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 firefighting 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 Benefit Life Company and VFIS, Inc. (Volunteer Firemen's Insurance Services, Inc.), its agent. The LOSAP Deferred Compensation Plan has not been audited.

NOTE 7: NET POSITION

As of December 31, 2017, unrestricted net position amounted to \$6,960.

NOTE 8: SUBSEQUENT EVENTS

The District has evaluated subsequent events through July 20, 2018, the date which the financial statements were available to be issued and no items were noted for disclosure.

UPPER TOWNSHIP FIRE DISTRICT #4

Exhibit H

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2017

	GENERAL FUND			Variance
	Original Budget	Final Budget	Actual	Over (Under)
Revenues:				
Interest Earned	\$ 25	25	44	19
Other Revenues	3,250	3,250	-	(3,250)
District Taxes	542,895	542,895	542,895	-
Total Revenues	546,170	546,170	542,939	(3,231)
Expenditures:				
Administration				
Commissioners Expense	6,942	4,219	4,402	(183)
Total Administration	6,942	4,219	4,402	(183)
Cost of Operations and Maintenance				
Health and Wellness				
Insurance	8,000	7,764	5,264	2,500
Maintenance of Fire Equipment	41,970	41,854	41,854	-
Accounting Fees	43,400	36,485	36,485	-
Legal Fees	5,000	4,037	4,950	(913)
Maintenance of Fire House	6,633	2,640	6,676	(4,036)
Utilities	13,415	13,897	13,602	295
Fire Contract	21,180	10,845	10,845	-
Fuel and Heater Maintenance	81,776	81,776	81,766	10
First Responder Program	7,000	4,389	4,389	-
Rental of Fire Equipment	1,300	1,300	-	1,300
Rental of Fire House	62,135	94,171	94,171	-
Rental of Personal Protective Equipment	154,574	154,574	154,574	-
Maintenance of Radio Equipment	9,000	9,000	9,000	-
Purchase of Small Equipment	14,425	7,994	4,569	3,425
Contingent Expenses	26,100	28,387	28,269	118
Computer Expenses	3,500	3,500	-	3,500
Hydrant Maintenance	5,095	5,095	4,877	218
Length of Service Award Program	15,725	15,218	12,445	2,773
	25,000	25,025	24,535	490
Total Operations and Maintenance	545,228	547,951	538,271	9,680
Total Expenditures	552,170	552,170	542,673	9,497
Excess/(Deficit) of Revenue Over Expenditures	(6,000)	(6,000)	266	6,266
Fund Balance - Beginning of Year	6,694	6,694	6,694	
Fund Balance - End of Year	\$ 694	694	6,960	

See Accompanying Auditor's Report



FORD-SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Commissioners
Upper Township Fire District #4
Seaville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 20, 2018, which was qualified for the inclusion of unaudited LOSAP information.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.
CERTIFIED PUBLIC ACCOUNTANTS**

Harvey C. Coccozza, Jr.

Harvey C. Coccozza, Jr.
Certified Public Accountant
Registered Municipal Accountant
No. 551

July 20, 2018

THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #4
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
Schedule of Financial Statement Findings

None

THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #4
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RESPONSES AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

STATUS OF PRIOR YEAR FINDINGS

None