

**BOARD OF FIRE
COMMISSIONERS**

FIRE DISTRICT NO. 3

TOWNSHIP OF UPPER, NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

**BOARD OF COMMISSIONERS
UPPER TOWNSHIP FIRE DISTRICT NO. 3**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page #</u>
Independent Auditor's Report		1-3
Required Supplemental Information - Part I		
Management Discussion and Analysis		4-7
Basic Financial Statements		
Statement of Net Position	A	8
Statement of Activities	B	9
Balance Sheet - Governmental Funds	C	10
Reconciliation of the Governmental Fund Balance Sheet	D	11
Statement of Revenue, Expenditures and Changes in Fund Balance	E	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances	F	13
Statement of Fiduciary Net Assets	G	14
Notes to Financial Statements		15-22
Required Supplemental Information - Part II		
Statement of Revenue, Expenditures and Changes in Fund Balance Budget to Actual	H	23-24
Other Supplementary Information		
Independent Auditor's Report - Governmental Auditing Standards		25-26
Schedule of Financial Statement Findings		27
Status of Prior Year Findings		28



F O R D - S C O T T

& A S S O C I A T E S , L . L . C .

C E R T I F I E D P U B L I C A C C O U N T A N T S

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Board of Commissioners
of Upper Township Fire District #3
Marmora, New Jersey

Report on the Financial Statements

Opinions

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 #3 (the "Fire District"), State of New Jersey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board of Commissioners of Upper Township Fire District #3, State of New Jersey, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Fire District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fire District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the Fire District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* 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 June 7, 2023, on our consideration of the Fire District's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District's internal control over financial reporting and compliance.

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

Leon P. Costello

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

June 7, 2023

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

REQUIRED SUPPLEMENTARY INFORMATION - PART I

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

Management Discussion and Analysis

This section of the Upper Township Fire District #3's (District) 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 increased \$153,025 due to operations in 2022. Overall, the District's expenses decreased approximately \$40,730 in 2022. Revenues increased approximately \$13,197 due to an increase in the tax levy.

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 day to day 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. You 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 indicators of whether its financial position is improving or deteriorating. You 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 \$334,366 and the ending net position is \$487,391 representing an increase of \$153,025.

The following is a summary of the District's Net Position as of December 31, 2022 and 2021:

ASSETS	2022	2021
Cash and cash equivalents	\$ 336,734	262,112
Right to Use Leased Asset	237,586	
Capital Assets	170,367	415,893
Total Assets	<u>744,687</u>	<u>678,005</u>
LIABILITIES		
Accounts Payable	19,710	8,565
Due on Truck Fit-Out		42,745
Long-Term Liabilities	237,586	292,329
Total Liabilities	<u>257,296</u>	<u>343,639</u>
NET POSITION		
Assigned for Capital Purchases	146,200	38,000
Assigned for Emergencies	47,729	47,729
Invested in Capital Assets, Net of Debt	170,367	80,819
Unrestricted	123,095	167,818
Total Net Position	<u>\$ 487,391</u>	<u>334,366</u>

{This space intentionally left blank}

The following is the summary of the changes in Net Position for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
General Revenues:				
Tax Levy	\$ 673,188	659,988	13,200	2%
Interest	211	214	(3)	-1%
Total Revenue	673,399	660,202	13,197	2%
Expenses:				
Administration				
Commissioners Salaries and Wages	5,250	5,250	-	0%
Office Expense	1,040	1,197	(157)	-13%
Professional Services	12,234	14,982	(2,748)	-18%
Utilities	36,825	31,846	4,979	16%
Cost of Operations & Maintenance				
Contract with Marmora Vol. Fire	100,000	100,000	-	0%
Insurance	36,691	28,721	7,970	28%
Repairs & Maintenance - Equip	16,679	17,894	(1,215)	-7%
Repairs & Maintenance - Vehicles	42,279	16,728	25,551	153%
Small Equipment Purchases	9,169	18,316	(9,147)	-50%
Turn Out Gear	39,413	30,159	9,254	31%
Building Lease	115,000	115,000	-	0%
Fire Hydrants	35,719	30,853	4,866	16%
Stipend Program for Volunteers	11,823		11,823	100%
Length of Service Contribution	40,694	43,053	(2,359)	-5%
Interest Payments on Debt Service	9,618	11,361	(1,743)	-15%
Depreciation Expense	50,685	34,685	16,000	46%
Capital Appropriations	(42,745)	42,745	(85,490)	-200%
Total Expenses	<u>520,374</u>	<u>542,790</u>	<u>(22,416)</u>	<u>-4%</u>
Increase In Net Position	<u>\$ 153,025</u>	<u>117,412</u>	<u>35,613</u>	<u>30%</u>

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 2022 the District's governmental funds reported a combined fund balance of \$317,024, an increase of \$63,477 over 2021. This increase is due to operating activity in 2022.

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 #3, 40 Old Tuckahoe Road in Marmora, NJ.

BASIC FINANCIAL STATEMENTS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF UPPER
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 336,734
Right to Use Leased Asset	237,586
Capital Assets, net of depreciation	170,367
	744,687
Total Assets	744,687
 LIABILITIES	
Accounts payable	19,710
Long-Term Liabilities	
Due within one year	56,544
Due beyond one year	181,042
	257,296
Total Liabilities	257,296
 NET POSITION	
Invested in Capital Assets, Net of Debt	170,367
Assigned for Capital Purchases	146,200
Assigned for Emergencies	47,729
Unrestricted	123,095
	487,391
Total Net Assets	\$ 487,391

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

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF UPPER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Position Governmental Activities
Governmental Activities:			
Fire Protection:			
Administration	\$ 55,349		(55,349)
Cost of Providing Services	404,722		(404,722)
Interest on Debt Service	9,618		(9,618)
Depreciation Expense	50,685		(50,685)
Total Fire Protection Expenses	<u>520,374</u>	-	<u>(520,374)</u>
Total Governmental Activities	<u>520,374</u>	-	<u>(520,374)</u>
General Revenues:			
Taxes			673,188
Interest			211
Total General Revenues			<u>673,399</u>
Change in Net Position			153,025
Net Position - Beginning			334,366
Net Position - Ending			<u>\$ 487,391</u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
 TOWNSHIP OF UPPER
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2022

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 336,734	336,734
Total Assets	<u>336,734</u>	<u>336,734</u>
LIABILITIES AND FUND BALANCES		
Accounts payable	19,710	19,710
Total Liabilities	<u>19,710</u>	<u>19,710</u>
FUND BALANCE		
Committed Fund Balance:		
Assigned for Capital Purchases	146,200	146,200
Assigned for Emergencies	47,729	47,729
Unassigned Fund Balance	123,095	123,095
	<u>317,024</u>	<u>317,024</u>
Total Liabilities and Fund Balances	<u>\$ 336,734</u>	<u>336,734</u>

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

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF UPPER
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Total fund balances for governmental funds	\$ 317,024
Capital assets used in governmental activities are not resources and therefore are not reported in the funds. The cost of the assets is \$362,682 and the accumulated depreciation is \$192,315.	170,367
Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(237,586)
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	237,586
Total net position of governmental actiivites	<u><u>\$ 487,391</u></u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF UPPER
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Total Governmental Funds
REVENUES		
Property taxes	\$ 673,188	673,188
Interest	211	211
Total Revenues	<u>673,399</u>	<u>673,399</u>
EXPENDITURES		
Administrative	55,349	55,349
Cost of Operations & Maintenance	449,518	449,518
Length of Service Awards Program	40,694	40,694
Debt Service		
Principal	54,743	54,743
Interest	9,618	9,618
Total Expenditures	<u>609,922</u>	<u>609,922</u>
Excess of revenues over expenditures	<u>63,477</u>	<u>63,477</u>
Net Change in Fund Balance	<u>63,477</u>	<u>63,477</u>
Fund balance beginning	253,547	253,547
Fund balance ending	<u><u>\$ 317,024</u></u>	<u><u>317,024</u></u>

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

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF UPPER
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

Net change in fund balance - total governmental funds	\$	63,477
The change in net position for governmental activities in the statement of activities is different because:		
Capital Outlays are reported in the 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.		(7,940)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		54,743
Cost of Truck Fit-Out recorded as a liability in Capital Projects Fund		42,745
Change in Net Positior	\$	153,025

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
 TOWNSHIP OF UPPER
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2022
 (UNAUDITED)

	Expendable Trust Fund
ASSETS	
Investments	\$ 322,188
Total Assets	322,188
 NET ASSETS	
Held in Trust for LOSAP	\$ 322,188

The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upper Fire District #3 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 Fire District #3, Township of Upper (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 Marmora 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.

Upper Township Fire District #3 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 Statement No. 34.

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 position.

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.

The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.
- b. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds:

- 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.

The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 based on GASBS No. 33. In applying GASBS No. 33 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.

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 approved 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.

**The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Recent Accounting Pronouncements Not Yet Effective

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the District's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the District's financial reporting.

In April 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 99, "Omnibus 2022". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the District's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". This statement is effective for fiscal years beginning after June 15, 2023, and will not have any effect on the District's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, "Compensated Absences". This statement is effective for fiscal years beginning after December 15, 2023, and 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.

**The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022**

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 District’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 such as salary withholdings or funds that may pass to the District relative to the happening of a future condition. As of December 31, 2022, \$0 of the District’s bank balance of \$377,004 was exposed to custodial credit risk.

NOTE 4: INTER LOCAL SERVICE AGREEMENT

The Fire District has signed an agreement with Marmora Volunteer Fire Company. This agreement is for the use of a portion of the premises at 40 Tuckahoe Road in Marmora. The agreement is for \$115,000/year.

The Fire District also signed an agreement with Marmora Volunteer Fire Company for the protection of life and property. The fee is \$100,000.

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.

NOTE 6: FIXED ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance 12/31/2021	Additions	Disposals/ Adjustments	Balance 12/31/2022
Governmental Activities:				
Vehicles	\$ 557,523	42,745	237,586	362,682
Total at historical cost	<u>557,523</u>	<u>42,745</u>	<u>237,586</u>	<u>362,682</u>
Less Accum. Depr. For:				
Equipment	(141,630)	(50,685)		(192,315)
Total Accum. Depr.	<u>(141,630)</u>	<u>(50,685)</u>	<u>-</u>	<u>(192,315)</u>
Total capital assets being depr, net of accum depr	<u>415,893</u>	<u>(7,940)</u>	<u>237,586</u>	<u>170,367</u>
Governmental activities capital assets, net	\$ <u>415,893</u>	<u>(7,940)</u>	<u>237,586</u>	<u>170,367</u>

**The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022**

NOTE 7: DEBT SERVICE

The Fire District entered into a lease purchase agreement for the purchase of a 2018 Pierce Pumper in November 2017. The lease is for a term of 9 years maturing in July 2026. The yearly lease payments are \$64,361.

The future minimum lease obligations as of December 31, 2022, are as follows:

<u>June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	56,544	7,817	64,361
2024		58,405	5,956	64,361
2025		60,326	4,035	64,361
2026		62,311	2,050	64,361
	\$	<u>237,586</u>	<u>19,858</u>	<u>257,444</u>

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 1995 the voters of Upper Township Fire District No. 3 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 are 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.

NOTE 9: NET POSITION

As of December 31, 2022, net position amounted to \$487,391. Of that amount \$146,200 has been reserved for future capital outlay and \$47,729 has been reserved for emergencies.

**The Board of Commissioners of Upper Fire District #3
Township of Upper
Notes to Financial Statements
December 31, 2022**

NOTE 9: RIGHT TO USE LEASED ASSETS

The district has recorded right to use assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability, plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place to lease into service. The District has determined the other charges and amortization to be immaterial to the government-wide financial statements and has elected to record the Right to Use Assets at their remaining liability payments.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Pierce Pumper	\$ -	237,586		237,586
Right to use assets, net	\$ <u>-</u>	<u>237,586</u>	<u>-</u>	<u>237,586</u>

NOTE 11: SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 7, 2023, the date which the financial statements were available to be issued and no items were noted for disclosure.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

REQUIRED SUPPLEMENTARY INFORMATION - PART II

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF UPPER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget	Adjusted Final Budget	Actual	Variance - Over (Under)
Revenues:				
Interest Earned	\$ 200	200	211	11
Fund Balance	30,000	30,000		(30,000)
District Taxes	673,188	673,188	673,188	-
Total Revenues	703,388	703,388	673,399	(29,989)
Expenditures:				
Operating and Maintenance:				
Administration:				
Commissioners	5,250	5,250	5,250	-
Professional Fees	20,000	14,250	12,234	2,016
Office	3,577	3,577	1,040	2,537
Utilities	31,000	36,750	36,825	(75)
Total Administration	59,827	59,827	55,349	4,478
Cost of Operations & Maintenance:				
Contract for Fire Fighting Servies with MVFC	100,000	100,000	100,000	-
Building Lease	115,000	115,000	115,000	-
Insurance	33,000	36,700	36,691	9
Cost of Fire Hydrants	35,000	35,720	35,719	1
Equipment (Misc. Loose)	20,000	15,580	9,169	6,411
Repairs & Maintenance (Equip)	20,000	19,895	16,679	3,216
Repairs & Maintenance (Vehicles)	40,000	40,105	42,279	(2,174)
Stipend Program for Volunteers	30,000	20,585	11,823	8,762
Turn out Gear	30,000	39,415	39,413	2
Total Cost of Operations and Maintenance	423,000	423,000	406,773	16,227
Capital Outlay	104,200	104,200		104,200
Total Capital Outlay	104,200	104,200	-	104,200
Debt Service				
Principal Payments on Debt Service	54,743	54,743	54,743	-
Interest Payments on Debt Service	9,618	9,618	9,618	-
Total Debt Service	64,361	64,361	64,361	-
Total Expenditures	651,388	651,388	526,483	124,905
Excess (Deficiency) of Revenues Over Expenditures	52,000	52,000	146,916	94,916
Other Financing (Uses):				
Operating Transfers (Out):				
(LOSAP) - Contribution (PL 1997, C 388)	(52,000)	(52,000)	(40,694)	11,306
Total Other Financing (Uses)	(52,000)	(52,000)	(40,694)	11,306

See Accompanying Auditor's Report

**THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF UPPER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budget</u>	<u>Adjusted Final Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	106,222	106,222
Fund Balances - Beginning of Year	253,547	253,547	253,547	-
Fund Balances - End of Year	<u>\$ 253,547</u>	<u>253,547</u>	<u>359,769</u>	<u>106,222</u>

SUPPLEMENTARY INFORMATION

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTER BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Township of Upper Fire District #3
Marmora, 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 of the Upper Township Fire District #3 (the "Fire District"), as of and for the year ended December 31, 2022, 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 June 7, 2023, which was unmodified.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire 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 financial statements. 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**

Leon P. Costello

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

June 7, 2023

**THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #3
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

Schedule of Financial Statement Findings

None

**THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #3
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

STATUS OF PRIOR YEAR FINDINGS

None