

**DOWNE TOWNSHIP**  
**FIRE DISTRICT NO. 1**  
**COUNTY OF CUMBERLAND**  
**REPORT OF AUDIT**  
**DECEMBER 31, 2020**

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**

**COUNTY OF CUMBERLAND**

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**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**

**COUNTY OF CUMBERLAND**

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**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**

**OFFICIALS IN OFFICE AND SURETY BONDS**

The following officials were in office during 2020.

<b><u>NAME</u></b>	<b><u>TITLE</u></b>
<b><u>Board of Fire Commissioners</u></b>	
Lawrence Pharo Sr.	Chairman
Charles Lupton	Vice Chairman
Cliff Higbee	Secretary
George Robertson	Treasurer
Elizabeth Crowley	Commissioner

<b><u>Amount of Surety Bond</u></b>	<b><u>Coverage</u></b>
Employee Dishonesty Bond - Treasurer	\$100,000
Employee Dishonesty Coverage (Blanket)	\$10,000

## FINANCIAL SECTION

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*  
*Certified Public Accountants*

991 S. Black Horse Pike  
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## INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the  
Downe Township Fire District No. 1  
County of Cumberland  
P.O. Box 48  
154 New Jersey Avenue  
Fortescue, New Jersey 08321

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Downe Township Fire District No. 1, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2020, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these basic 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 in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, 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 of material misstatement.

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

### **Opinions**

In our opinion, the basic 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 Downe Township Fire District No. 1, County of Cumberland, State of New Jersey, as of December 31, 2020, and the respective changes in financial position thereof and for the year ended in conformity 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 accompanying Management Discussion and Analysis on pages 6 through 11 along with budgetary comparison information on pages 28 and 31 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 inquires 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued our report dated April 29, 2021 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

Raymond Colavita, C.P.A.  
Registered Municipal Accountant  
April 29, 2021



# NIGHTLINGER, COLAVITA & VOLPA

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the  
Downe Township Fire District No. 1  
County of Cumberland  
P.O. Box 48  
154 New Jersey Avenue  
Fortescue, New Jersey 08321

We have audited the financial statements of the governmental activities and each major fund of the Downe Township Fire District No. 1, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Downe Township Fire District No 1's basic financial statements and have issued our report thereon dated April 29, 2021. 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 in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, New Jersey Division of Local Government Services, State of New Jersey.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

*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 misstatement 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 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 deficiencies, significant deficiencies or material weaknesses. Given these limitations, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fire 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. 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 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. However, this report is a matter of public record.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

Raymond Colavita, C.P.A.  
Registered Municipal Accountant  
April 29, 2021

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1  
COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020  
UNAUDITED**

As management of the Downe Township Fire District No. 1, we offer readers of Downe Township Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of Downe Township Fire District No. 1 for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance. This is the third year of implementation of GASB 34, which provides more detailed comparisons to prior year financial information.

**Financial Highlights**

- The assets of Downe Township Fire District No. 1 exceeded its liabilities at the close of the most recent year by \$453,351 (Net Position).
- As of the close of the current year, the Downe Township Fire District No. 1's governmental funds reported combined ending fund balances of \$310,030, a combined increase of \$3,270 in comparison with the prior year.

**Overview of Financial Statements**

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

**District-wide Financial Statements-** The district-wide financial statements are designed to provide readers with a broad overview of the Downe Township Fire District No. 1's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Downe Township Fire District No. 1's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Downe Township Fire District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the Downe Township Fire District No. 1's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will result in cash flows in future periods.

Both of the district-wide financial statements distinguish functions of the Downe Township Fire District No. 1 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Downe Township Fire District No. 1 include fire-fighting/suppression services that are provided to the citizens of the Downe Township Fire District No. 1.

**Fund Financial Statements-** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Downe Township Fire District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Downe Township Fire District No. 1 constitute one fund type, which is the governmental fund type.

**Governmental Funds-** All of the Downe Township Fire District No. 1's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis 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 Downe Township Fire District No. 1's general government operations and the basic services it provides. Government fund information provides insight as to determining a range of financial resources available to finance fire-fighting/suppression services in the near future.

The Downe Township Fire District No. 1 maintains a maximum of four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, Downe Township Fire District No. 1 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance regarding spending within the budget, as well as provide management with a planning tool to achieve the goals of the District.

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

### **District-Wide Financial Analysis**

The net position reported each year, and the amount of change thereon, provides a useful indicator of a government's financial position. In the case of the Downe Township Fire District No. 1, assets exceeded liabilities by \$453,351 at the close of the current year.

The Downe Township Fire District No. 1's net position is comprised of cash and land, buildings and equipment. The Fire District uses these assets to provide fire-fighting/suppression services to the citizens of the District. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operation sources, since the capital assets themselves cannot be used to liquidate those liabilities.

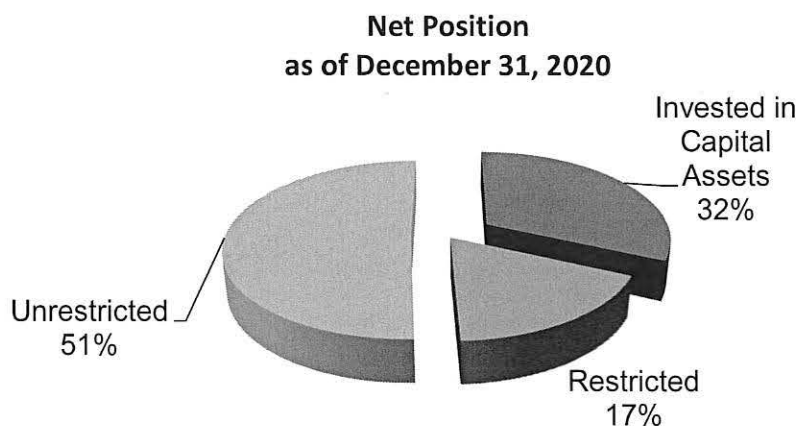
**Statement of Net Position**

Table 1 provides a comparative summary of the combined Fire District's net position for the years ended in 2020 and 2019.

**Table 1  
Net Position**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 317,770	\$ 302,152
Prepaid Insurance	11,913	12,559
Capital Assets, net	260,476	315,188
<b>Total Assets</b>	<u>590,159</u>	<u>629,899</u>
<b>Liabilities</b>		
Accounts Payable	19,653	7,951
Accrued Interest Payable	419	364
Due within one year	37,826	36,778
Noncurrent Liabilities:		
Due beyond one year	78,910	116,736
<b>Total Liabilities</b>	<u>136,808</u>	<u>161,829</u>
<b>Net Position</b>	<u>453,351</u>	<u>468,070</u>
<b>Analysis of Net Position</b>		
Invested in Capital Assets, Net of Related Debt	143,740	161,674
Restricted	79,828	68,828
Unrestricted	229,783	237,568
<b>Total Net Position</b>	<u>\$ 453,351</u>	<u>\$ 468,070</u>

Net Position of governmental activities decreased \$14,719 from the previous year. The following table depicts the allocation of Net Position for 2020:

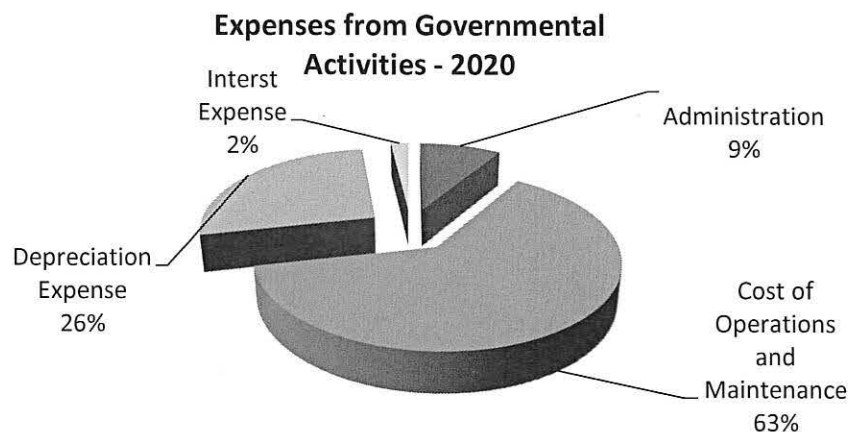


**Governmental Activities.** The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Table 2 shows the Statement of Activities for the fiscal year's 2020 and 2019.

**Table 2  
Statement of Activities**

	<u>2020</u>	<u>2019</u>
Expenses:		
Operating Expenses		
Administration	\$ 20,913	\$ 17,439
Cost of Operations and Maintenance	149,948	140,566
Interest on Long-Term Debt	4,426	4,956
Depreciation Expense	63,664	63,708
Total Program Expenses	<u>238,951</u>	<u>226,669</u>
Program Revenues		
Operating Grants & Contributions	301	301
Net Program Expenses	<u>238,650</u>	<u>226,368</u>
Taxes:		
Property Taxes, Levied for General Purpose	182,560	182,330
Property Taxes, Levied for Debt Service	41,149	41,149
Unrestricted Investment Earnings	222	28
Total General Revenues	<u>223,931</u>	<u>223,507</u>
Other Financing Sources (Uses)		
Total Other Financing Sources (Uses)		
Increase (Decrease) in Net Position	(14,719)	(2,861)
Net Position, January 1	468,070	470,931
Net Position, December 31	<u>\$ 453,351</u>	<u>\$ 468,070</u>

Property taxes represent 99% of District Revenue. The following table depicts the allocation of expenses for 2020:



### **Financial Analysis of the Government Funds**

As previously stated, the Downe Township Fire District No. 1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Downe Township Fire District No. 1's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Downe Township Fire District No. 1's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Downe Township Fire District No. 1's governmental funds reported combined ending fund balances of \$310,030, an increase of \$3,270 from the prior year. This ending fund balance represents unrestricted funds of \$230,202, of which, \$27,300 is assigned to support general fund appropriations in the subsequent year. The remaining \$202,902 of unrestricted fund balance is unassigned in the general fund.

Restricted fund balance of \$79,828 is comprised of \$4,828 for future debt service appropriations and \$75,000 is reserved for future capital outlay. Prior to budget appropriation, the reserve for future capital outlay is subject to voter approval of the District.

The general fund is the main operating fund of the Downe Township Fire District No. 1. The fund balance for Downe Township Fire District No. 1's general fund increased by \$3,270 during the current year.

General Fund revenues increased \$424 from the prior year.

Total expenditures increased \$7,289 from the prior year, representing an increases in administration costs of \$3,474 and cost of operations and maintenance of \$3,815.

### **Capital Projects Fund**

The District had no open capital projects in 2020.

### **General Fund Budgetary Highlights**

The Downe Township Fire District No. 1 modified its 2020 general fund budget in conformance with statute through budget transfers approved in the minutes.

The original operating budgetary revenue estimate of \$183,160 consisted of \$182,560 for property taxes (local tax levy), \$400 in operating grants and \$200 in other miscellaneous revenue. The original budgetary expenditure estimate of \$211,260 was the same as the final budget for planned expenditure appropriations and included \$178,660 for operations and maintenance expenditures, \$21,600 in administration expenditures and \$11,000 in the reserve for future capital outlay.

There was additional \$41,149 in taxes levied for debt service in 2020.



## Capital Assets and Debt Administration

The Downe Township Fire District No. 1's investment in capital assets for its governmental activities as of December 31, 2020 amounts to \$260,476. This investment in capital assets includes building improvements, vehicles and firefighting equipment. The District made capital purchases of \$8,952 during 2020, which consisted of firefighting equipment.

The balance in accumulated depreciation, as of December 31, 2020, was \$1,570,971.

### CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	<u>2020</u>	<u>2019</u>
Building Improvements	\$ 60,000	\$ 60,000
Furniture and Equipment	146,222	196,687
Vehicles	54,254	58,501
	<u>          </u>	<u>          </u>
Total Capital Assets	<u>\$ 260,476</u>	<u>\$ 315,188</u>

Additional information on the Downe Township Fire District No. 1's capital assets can be found in Note 3 in the notes to financial statements.

## Long-Term Obligations

As of December 31, 2020, the District had one capital lease open, with an outstanding principal balance of \$116,736. Additional information on the District's capital lease can be found in Note 4 and 5 of the notes to financial statements.

## Economic Factors and Next Years Budget

For the 2020 year the Downe Township Fire District No. 1 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99% of total revenue is from the local tax levy.

The Board of Fire Commissioners adopted the 2020 budget January 4, 2021 and the voters subsequently approved the budget at the annual fire district election held on April 20, 2021.

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of accrual accounting.

## Contacting the Fire District's Financial Management

This financial report is designed to provide our patrons, citizens, taxpayers, 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 Mr. Mike Rothman, Treasurer, Downe Fire District No. 1, PO Box 48, Fortescue, NJ 08321.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b><u>Governmental</u></b>
	<b><u>Activities</u></b>
<b><u>ASSETS:</u></b>	
Cash and Cash Equivalents	\$ 317,770
Prepaid Insurance	11,913
Fixed Assets	
Land, Buildings, and Improvements, net	\$ 60,000
Vehicles, net	146,222
Furniture and Equipment, net	54,254
	<hr/>
	260,476
	<hr/>
Total Assets	590,159
	<hr/>
<b><u>LIABILITIES:</u></b>	
Accounts Payable	19,653
Accrued Interest Payable	419
Due within one year (Note 4 and 5)	37,826
Noncurrent Liabilities:	
Due beyond one year (Note 4 and 5)	78,910
	<hr/>
Total Liabilities	136,808
	<hr/>
<b><u>NET POSITION:</u></b>	
Invested in Capital Assets, Net of Related Debt	143,740
Restricted:	
Future Capital Outlay	75,000
Debt Service	4,828
Unrestricted	229,783
	<hr/>
Total Net Position	\$ 453,351
	<hr/> <hr/>

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

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b><u>Governmental Activities</u></b>
<u>Expenses:</u>	
Operating Appropriations:	
Administration	\$ 20,913
Cost of Operations and Maintenance	149,948
Interest on Long-Term Debt	4,426
Depreciation Expense	63,664
Total Program Expenses	<u>238,951</u>
Program Revenues:	
Operating Grants and Contributions	301
Net Program Expenses	<u>238,650</u>
<u>General Revenues:</u>	
Taxes:	
Property Taxes, Levied for General Purposes	182,560
Property Taxes, Levied for Debt Service	41,149
Miscellaneous	222
Total General Revenues	<u>223,931</u>
Increase/ (Decrease) in Net Position	(14,719)
Net Position, January 1	<u>468,070</u>
Net Position, December 31	<u>\$ 453,351</u>

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

## **FUND FINANCIAL STATEMENTS**

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 312,942	\$ 4,828	\$ 317,770
Prepaid Insurance	11,913		11,913
Total Assets	\$ 324,855	\$ 4,828	\$ 329,683
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	19,653		19,653
Total Liabilities	19,653		19,653
Fund Balances:			
Restricted for:			
Future Capital Outlay	75,000		75,000
Debt Service Fund		4,828	4,828
Assigned, Reported in:			
Designated for Subsequent Years Expenditures	27,300		27,300
Unassigned, Reported in:			
General Fund	202,902		202,902
Total Fund Balances	305,202	4,828	310,030
Total Liabilities and Fund Balances	\$ 324,855	\$ 4,828	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,831,447 and accumulated depreciation is \$1,570,971 (Note 3).

260,476

Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5).

(116,736)

Accrued interest on the Capital lease is not paid within the current period and therefore, not reported in the Governmental Funds.

(419)

Net position of governmental activities

\$ 453,351

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

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Amount to be Raised by Taxation	\$ 182,560	\$ 41,149	\$ 223,709
Miscellaneous	222		222
Operating Grant Revenue	301		301
	<hr/>	<hr/>	<hr/>
Total Revenues	183,083	41,149	224,232
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Operating Appropriations:			
Administration	20,913		20,913
Cost of Operations and Maintenance	158,900		158,900
Capital Lease Principal		36,778	36,778
Capital Lease Interest		4,371	4,371
	<hr/>	<hr/>	<hr/>
Total Expenditures	179,813	41,149	220,962
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	3,270		3,270
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Total Other Financing Sources and Uses			
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	3,270		3,270
Fund Balance—Jan 1	301,932	4,828	306,760
	<hr/>	<hr/>	<hr/>
Fund Balance—Dec 31	\$ 305,202	\$ 4,828	\$ 310,030
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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



DOWNE TOWNSHIP FIRE DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Total net change in fund balances - governmental funds (from B-2)</b>	\$	3,270
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation expense	\$	(63,664)
Capital outlays		8,952
		<hr style="width: 100px; margin-left: auto; margin-right: 0;"/> (54,712)
Repayment of capital lease 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.		36,778
In the Statement of Activities, interest on Capital Leases is accrued, regardless of when it is due.		(55)
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		
<b>Change in net position of governmental activities (A-2)</b>	\$	<hr style="width: 100px; margin-left: auto; margin-right: 0;"/> <u>(14,719)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. **Description of Reporting Entity** - Fire District No. 1 of Downe Township is a political subdivision of the Township of Downe, Cumberland County, New Jersey. It was formed through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by **N.J.S.A. 40A:14-70** et al. and are organized as a taxpaying authority charged with the responsibility of providing the resources necessary to provide fire-fighting services to the residents within its territorial location. Fire District No. 1 serves the Fortescue area of the Township.

The Fire District is not a component unit of any other financial reporting entity as to Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39 and No. 61.

- b. **Basis of Accounting, Measurement Focus and Basis of Preparation** - The financial statements of the Fire District conform to 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of district-wide statements, including 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 include the financial activities of the government. The Statement of Net Position presents the financial condition of the governmental activities of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Fund Financial Statements** – During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, which is governmental.

**Governmental Funds** - All governmental funds are accounted for using a flow of current financial resources measurement focus, of which only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances are reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**General Fund** - The General Fund is the general operating fund of the Fire District and is used to account for its inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources, such as state or federal government grants and appropriations that are legally restricted to expenditures for specified purposes. There were no Special Revenue Awards during 2020.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election. The District had no open capital projects as of December 31, 2020.

**Debt Service Fund** - The Debt Service Fund is used to account for resources that will be used to service general long-term debt liabilities recorded in the Statement of Net Position.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- c. **Budgets and Budgetary Accounting** - The Fire District must adopt an annual budget in accordance with **N.J.S.A. 40A:14-78.1** et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearings must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with **N.J.S.A. 40A:14-78.3**. The budget may not be amended subsequent to its final adoption and approval.

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

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's basic financial statements.

Amounts reported under "final budget" in Exhibit C-1 and I-3, and in the detail statements, include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year-end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Encumbrances** - Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Due to the small size of the Fire District, the selective encumbrance method is implemented rather than a full encumbrance system. Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred revenues at year-end. Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amount as of the current year-end.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- d. **Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. All certificates of deposit are recorded as cash regardless of the date of maturity.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. **N.J.S.A.** 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

**N.J.S.A.** 17:9-41 et seq. establishes the requirements for 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 State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of the 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.

- e. **Inventories and Prepaid Expenses** - Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase.
- f. **Interfunds** - Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the period in which the transaction is executed.
- g. **Capital Assets** – General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$1,000. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are required to be depreciated. Improvements are to be depreciated over the remaining useful lives of the related capital assets. Depreciation should be computed using the straight-line method over the following useful lives:

<b><u>Description</u></b>	<b><u>Estimated Lives</u></b>
Buildings and Improvements	30 Years
Vehicles	5-10 Years
Furniture and Fixtures	5-10 Years
Firefighting Equipment	5 Years

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Capital Assets (Continued) –**

**N.J.S.A. 40A:14-84** governs the procedures for the acquisition of property and equipment for Fire Districts, and **N.J.S.A. 40A:14-85 to 87** governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation or property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

**h. Long-Term Obligations** - Long-term debt is recognized as a liability of the Fire District when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of the Fire District. The remaining portion of such obligations is reported in the Statement of Net Position.

**i. Unearned Revenue** – Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned.

**j. Fire District Taxes** - Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with NJSA 40A: 14-79 the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

**k. Fund Balance and Reserves** - Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources. Fund balance reserves are established for encumbrances, legally restricted appropriations and future capital outlays.

**l. Fund Balance and Reserves** - Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources. Fund balance reserves are established for encumbrances, legally restricted appropriations and future capital outlays.

**l. Use of Estimates** - In order for the preparation of basic financial statements to be in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**m. Comparative Data** - Comparative total data for the prior year have been presented in selected sections of the accompanying basic financial statements in order to provide an understanding of the changes in the Fire District's financial position and operations.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Net Investment in Capital Assets-** This components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.

**Restricted-** Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Unrestricted-** Net Position is reported is reported as unrestricted when it does not meet the criteria of the other two components of Net Position.

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

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

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

**Restricted-** The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions or constraints are placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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



**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**o. Fund Balance - (Continued)**

**Assigned-** The assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or by the business manager, to which the Board of Commissioners or by the business manager, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business manager is established by way of formal job description for the position, approved by the Board of Commissioners.

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

- p. Accrued Liabilities** - While expenses incurred and paid in full from current financial resources are in general reported a obligations of the various funds, expenses that are not paid with expendable and available financial resources are accrues, such as for compensated absences and other obligation for claims and judgments.
- q. Revenues-Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end. Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, including Ad Valorem (property) taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use if first permitted, matching requirements in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the Fire District on a reimbursement basis. Under the modified accrual basis, grants, fees, and rentals are revenue sources considered to be both measurable and available at year-end.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. New Accounting Standards

The accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 87 - Leases: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of Statement will be effective for reporting periods beginning after December 15, 2020. The Board is evaluating the potential impact of the adoption of GASB 87 on the Fire District's financial statements.
- GASB No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is evaluating the potential impact of the adoption of GASB 89 on the Fire District's financial statements.

2. CASH AND CASH EQUIVALENTS

**Custodial Credit Risk** - All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as credit risk.

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the districts deposits may not be returned to it. Although the district does not have a formal policy regarding custodial credit risk, as described in Note 1, 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 Protection Act.

The Fire District designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of December 31, 2020, the District's bank balance of \$328,113 was exposed to custodial credit risk as follows:

Insured by Depository Insurance	\$ 250,000
Collateralized under GUDPA	78,113
Total	<u>\$ 328,113</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 was as follows:

	<b>Balance December 31, 2019</b>	<b>Additions</b>	<b>Adjustment</b>	<b>Balance December 31, 2020</b>
Land, Building, & Improve.	\$ 306,000	\$	\$	\$ 306,000
Vehicles	1,043,674			1,043,674
Equipment	472,821	8,952		481,773
<b>Totals at Historical Cost</b>	<b>1,822,495</b>	<b>8,952</b>		<b>1,831,447</b>
Less Accum. Depreciation for:				
Land, Build & Improve.	(246,000)			(246,000)
Vehicles	(846,987)	(50,465)		(897,452)
Equipment	(414,320)	(13,199)		(427,519)
<b>Total Accum. Depreciation</b>	<b>(1,507,307)</b>	<b>(63,664)</b>		<b>(1,570,971)</b>
<b>Capital Assets, Net</b>	<b>\$ 315,188</b>	<b>\$ (54,712)</b>	<b>\$</b>	<b>\$ 260,476</b>

**4. LONG-TERM DEBT**

In 2015, the District entered into a capital lease agreement for a New Fire Pumper. The following represents future principal obligations associated with the capital lease:

	<b>Principal Outstanding 12/31/2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Principal Outstanding 12/31/2020</b>	<b>Due Within One Year</b>	<b>Due After One Year</b>
Obligations Under						
Capital Lease	\$ 153,514	\$	\$ 36,778	\$ 116,736	\$ 37,826	\$ 78,910

**5. CAPITAL LEASE**

In 2015, the Fire District purchased a New Fire Pumper. The following is a schedule of the future minimum lease payments under a capital lease, and the present value of the net minimum lease payments at December 31, 2020:

Year	Principal	Interest	Total
2021	\$ 37,826	\$ 3,324	\$ 41,150
2022	38,902	2,247	41,149
2023	40,008	1,139	41,147
	<b>\$ 116,736</b>	<b>\$ 6,710</b>	<b>\$ 123,446</b>

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**6. PROPERTY TAX LEVIES**

Following is a combined tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2020	\$ 122,892,900	\$ 223,709	0.183
2019	125,007,700	223,479	0.179
2018	127,258,500	211,910	0.167
2017	128,745,400	210,209	0.164
2016	131,629,240	209,761	0.160

**7. SUPPLEMENTAL FIRE SERVICE PROGRAM**

During 2020, the Fire District received \$301 for supplemental fire service program aid.

**8. FUND BALANCES APPROPRIATED**

The following presents the combined fund balance and the amount utilized in the subsequent year's budget for the current and preceding four years:

<u>Year</u>	<u>End of Year</u>		<u>Utilization in Subsequent Budget</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
2020	\$ 230,202	\$ 79,828	\$ 27,300	\$
2019	237,932	68,828	28,100	
2018	243,625	53,000	26,800	
2017	262,297	46,828	24,500	
2016	272,202	31,000	26,200	

**9. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGET**

There were no deferred charges to be raised in 2020.

**10. LITIGATION**

No contingent liabilities were noted per the Solicitor's written response to our inquiry.

**11. RELATED PARTY TRANSACTION**

During 2020, the District executed an Agreement to Fight Fires Contract with Downe Township Fire/Rescue Co. 1, in which the Board Treasurer and Board Secretary of the Fire District are voting members of the Downe Township Fire/Rescue Co. 1.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** – The District maintains commercial insurance coverage for property, liability and surety bonds.

**13. SUBSEQUENT EVENTS**

None

**End of Notes to Financial Statements**

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>			<u>Variance Favorable (Unfavorable)</u>	<u>2019</u>
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>		<u>Actual</u>
<b><u>Revenues</u></b>					
Revenues and Other Financing Sources:					
Miscellaneous Revenues:					
Interest Earned	\$ 100	\$ 100	\$ 31	\$ (69)	\$ 28
Miscellaneous Revenue	100	100	191	91	
Total Miscellaneous Revenues	<u>200</u>	<u>200</u>	<u>222</u>	<u>22</u>	<u>28</u>
Operating Grant Revenue					
Supplemental Fire Services Program (P.L. 1985, ch. 383)	400	400	301	(99)	301
District Taxes:					
Operating and Maintenance	182,560	182,560	182,560		182,330
Total Revenues and Other Financing Sources	<u>183,160</u>	<u>183,160</u>	<u>183,083</u>	<u>(77)</u>	<u>182,659</u>
<b><u>Expenditures</u></b>					
Operating and Maintenance:					
Administration:					
Salary & Wages	6,000	6,000		6,000	4,000
Fringe Benefits	600	600		600	
Office Expense	5,200	12,958	12,958		8,184
Advertisement	1,000	1,000	54	946	227
Elections	400	400		400	
Contingent Expenses	1,600	1,600		1,600	
Membership/Dues	300	300		300	
Professional Services	6,500	7,901	7,901		5,028
Total Administration	<u>21,600</u>	<u>30,759</u>	<u>20,913</u>	<u>9,846</u>	<u>17,439</u>
Cost of Operations and Maintenance:					
Medical Expenses	6,700				
Equipment	15,000	25,887	25,887		26,424
Training	10,600	2,053	2,053		4,097
Contingent Expenses	4,000	4,000		4,000	
Contracted Services Provided by					
Volunteer Fire Co. NJSA 401A: 14-67	17,000	17,000	17,000		17,000
Supplies	4,500	2,124	1,655	469	3,475
Utilities	31,000	37,781	37,781		50,337
Insurance	57,500	48,296	48,296		40,651
Maintenance and Repairs	32,360	32,360	26,228	6,132	13,101
Total Other Operating Expense	<u>178,660</u>	<u>169,501</u>	<u>158,900</u>	<u>10,601</u>	<u>155,085</u>
Reserve for Future Capital Outlay	11,000	11,000		11,000	
Total Operating and Maintenance	<u>\$ 211,260</u>	<u>\$ 211,260</u>	<u>\$ 179,813</u>	<u>\$ 31,447</u>	<u>\$ 172,524</u>
Excess (Deficit) of Revenue Over Expenditures	\$ (28,100)	\$ (28,100)	\$ 3,270	\$ 31,370	\$ 10,135
Fund Balance - Beginning of Year	<u>301,932</u>	<u>301,932</u>	<u>301,932</u>		<u>291,797</u>
Fund Balance - End of Year	<u>\$ 273,832</u>	<u>\$ 273,832</u>	<u>\$ 305,202</u>	<u>\$ 31,370</u>	<u>\$ 301,932</u>

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**



DOWNE TOWNSHIP FIRE DISTRICT NO. 1  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

	<u>General Fund</u>
<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 183,083
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 183,083</u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 179,813
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 179,813</u>

**OTHER SUPPLEMENTARY INFORMATION**

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**  
**SCHEDULE OF CAPITAL LEASE**

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Planned Maturities of Notes Outstanding December 31, 2020</u>	<u>Balance December 31, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance December 31, 2020</u>
Purchase of New Fire Pumper	11/13/14	2.80%	2021 \$ 37,826 2022 38,902 2023 40,008	\$ <u>153,514</u>	\$ <u>          </u>	\$ <u>36,778</u>	\$ <u>116,736</u>

**DOWNE TOWNSHIP FIRE DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020			Variance Positive (Negative) Final to Actual	2019
	Original Budget	Modified Budget	Actual		Actual
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 41,149	\$ 41,149	\$ 41,149	\$	\$ 41,149
EXPENDITURES:					
Principal Payments:					
Capital Lease	36,778	36,778	36,778		35,760
Interest Payments:					
Capital Lease	4,371	4,371	4,371		5,389
Total Expenditures	41,149	41,149	41,149		41,149
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balance, January 1	4,828	4,828	4,828		4,828
Fund Balance, December 31	\$ 4,828	\$ 4,828	\$ 4,828	\$	\$ 4,828

DOWNE TOWNSHIP FIRE DISTRICT NO. 1  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>State Funding Department</u>	<u>State Program</u>	<u>GMIS Number</u>	<u>Grant Award Amount</u>	<u>From</u>	<u>To</u>	<u>Accounts Receivable 1/1/2019</u>	<u>Receipts or Revenue Received</u>	<u>Expenditures</u>	<u>Accounts Receivable 12/31/2019</u>
Department of Community Affairs	Supplemental Fire Services Program	8030-150-041650	\$ 301	1/1/20	12/31/20	\$	\$ 301	\$ (301)	\$

DOWNE TOWNSHIP FIRE DISTRICT NO. 1  
GENERAL FUND  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS

Cash - December 31, 2019		\$	302,152
Receipts:			
District Taxes	\$	223,709	
SFSP		301	
Miscellaneous		222	
		<hr/>	224,232
			<hr/>
			526,384
Disbursements:			
Budget Appropriations		188,750	
Prepaid Insurance		11,913	
Prior Accounts Payable		7,951	
		<hr/>	208,614
			<hr/>
Cash - December 31, 2020		\$	<u><u>317,770</u></u>
<u>Analysis of Balance</u>			
Checking Account	\$	<u>328,113</u>	
			\$ 328,113
Outstanding Checks			<u>(10,343)</u>
			<hr/>
		\$	<u><u>317,770</u></u>

## **GENERAL COMMENTS**

## **GENERAL COMMENTS AND RECOMMENDATIONS**

We have audited the financial statements of the Downe Township Fire District No. 1 as of and for the year ended December 31, 2020 and have issued our report thereon dated April 29, 2021. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Downe Township Fire District No. 1 to the extent deemed necessary to evaluate the system as required by generally accepted auditing standards.

The purpose of our study and evaluation was to determine the nature, timing and extent of performing the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal control taken as a whole.

The Board of Fire Commissioners of the Downe Township Fire District No. 1 is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of accounting control of the Downe Township Fire District No. 1 taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

The size of the staff is not large enough to achieve adequate segregation of duties. This can result in accounting errors or irregularities that may go undetected.

Therefore, to increase the likelihood of detecting material errors or irregularities at an early date, management should monitor and review the financial area and analytically review significant fluctuations between actual and budgeted results of operations. All significant fluctuations should be investigated and resolved in a timely manner.

These conditions were considered in determining the nature, timing, and extent of edit tests to be applied in our audit of the 2020 financial statements.

The report is intended solely for the use of management and the Division of Local Government Services and should not be used for any other purpose.



**GENERAL COMMENTS** (Continued)

**CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-4**

**N.J.S.A. 40A:11-4** requires every appropriate contract or agreement shall be made or awarded only after public advertising for bids, except as provided otherwise by any other law for the sum exceeding the aggregate of \$17,500.

The Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made. Our examination of expenditures revealed no instance of noncompliance with **N.J.S. 40A:11-4**.

**AWARD OF PURCHASES, CONTRACTS OR AGREEMENTS BY QUOTATIONS**

**N.J.S.A. 40A:11-6.1**

Prior to the award of any purchase, contract or agreement, the District shall (except in the case of the performance of professional services) solicit quotations, whenever practicable, on any purchase, contract or agreement, the estimated cost or price of which is in excess of \$2,625. The award shall be made on the basis of the lowest responsible quotation received, which quotation is most advantageous to the contracting unit, price and other factors considered; provided, however, that if the contracting agent deems it impracticable to solicit competitive quotations in the case of extraordinary, unspecifiable services, or, in the case of such or any other purchase, contract or agreement awarded hereunder, having sought such quotations received, the contracting agent shall file a statement of explanation of the reason or reasons therefore, which shall be placed on file with said purchase, contract or agreement. Our examination of expenditures revealed that quotes were not solicited when necessary.

**OTHER GENERAL COMMENTS**

**Purchase Orders/Vouchers**

Our review of the purchasing and disbursements procedure disclosed that several purchase orders/vouchers were not used and the appropriate signatures for claimant's certification were included. The selective encumbrance method of expenditures was implemented as required by Directive of the Director of the Division of Local Government Services but we still received a manual listing of expenses by category that had to be manually added to get the yearly totals.

**Minutes**

Signed minutes of the meetings of the Commissioners were available, provided various detail, and were signed and prepared on a timely basis.

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**

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

**None**

**PRIOR YEAR AUDIT FINDINGS**

**None**

**REPORTABLE CONDITIONS AND OTHER FINDINGS**

There were no problems or weaknesses noted in our review, which were of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendation, please do not hesitate to call us.

**APPRECIATION**

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

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

Raymond Colavita, C.P.A.  
Registered Municipal Accountant