

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2**

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FIRE DISTRICT NUMBER 2

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INTRODUCTORY SECTION

(UNAUDITED)

Board of Fire Commissioners

**Fire District #2
1 Rainbow trail
Denville, NJ 07834**

To the Board of Fire Commissioners
Parsippany-Troy Hills Fire District #2
Township of Parsippany
Parsippany, New Jersey

Dear Fire Commissioners:

The annual financial report of the Parsippany-Troy Hills Fire District #2 (the "District") for the year ended December 31, 2019 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the general fund of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in five sections: introductory, financial, supplementary information, *Government Auditing Standards* and comments and recommendation. The introductory section includes this transmittal letter and a list of the District's principal officials. The financial section includes the financial statements, the Management's Discussion and Analysis as well as the auditors' report thereon. The auditor's reports on internal control and compliance with applicable laws, regulations, contracts and grants along with the schedule of findings and responses, are included in the *Government Auditing Standards* section of this report.

REPORTING ENTITY AND ITS SERVICES

The Parsippany-Troy Hills Fire District #2 is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report.

The Fire District #2, Township of Parsippany is a public body corporate and politic of the State of New Jersey governed by five members elected by the registered voters of the District,

The District was created pursuant to New Jersey Title 40A municipalities 40A:14-70. The District is an instrumentality of the Township of Parsippany, State of New Jersey, established to function as a fire district, to provide for fire and rescue services to the Township's citizens. The District consists of elected officials and is responsible for the fiscal control of the District. A Chairman is appointed by the District and is responsible for the administrative control of the District.

INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the District. An annual appropriated budget is adopted for the general fund. The final budget amount as amended for the fiscal year is reflected in the supplementary information section.

ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. The applicable fund is explained in "Notes to the Financial Statements," Note 1.

CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT:

The District carries various forms of insurance; including but not limited to general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, and fidelity bonds.

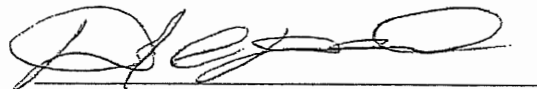
OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wielkotz & Company, LLC was selected by the District. The auditors' report on the financial statements is included in the financial section of this report.

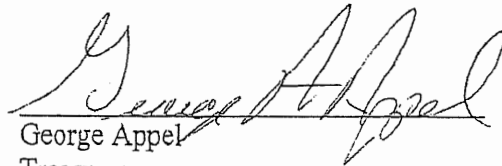
ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Commission of Fire District #2 Township of Parsippany for their concern in providing fiscal accountability to the citizens of the Township of Parsippany and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Donald Denise
Chairman



George Appel
Treasurer

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

ROSTER OF OFFICIALS

Board of Commissioners

Donald Denise	Commissioner (Chairman)
George Appel	Commissioner (Treasurer)
James Murphy	Commissioner (Secretary)
Peter Deegan	Commissioner
Eugene Caulfield	Commissioner to 6/24/19
Charles Iantosca	Commissioner from 7/8/19

Consultants and Advisors

Attorney

Anthony M. Bucco, Esq.
Murphy McKeon PC
Riverdale, NJ

Audit Firm

Wielkocz & Company, LLC
Newton, NJ



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900

NEWTON OFFICE
100B MAIN STREET
NEWTON, NEW JERSEY 07860
(973)-835-7900

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Fire Commissioners
Township of Parsippany-Troy Hills Fire District Number 2
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Parsippany-Troy Hills Fire District #2, (the "Fire District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fire District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's



internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Fire District, as of December 31, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's financial statements. The supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated May 7, 2020 on our consideration of the Township of Parsippany-Troy Hills Fire District # 2's internal control over financial reporting and on 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 Governmental Auditing Standards and should be read in considering the District's internal control over financial reporting and compliance.

Wielkotz & Company, LLC

Wielkotz & Company, LLC
Certified Public Accountants
Newton, New Jersey

May 7, 2020

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2019
(UNAUDITED)

Our discussion and analysis of the Township of Parsippany-Troy Hills Fire District Number 2's financial activities for the year ended December 31, 2019. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

1. The District's net position increased \$327,196.60 as a result of this year's operations or 16.60 percent.
2. Total cost of all of the District's programs was \$266,738.51 in 2019 compared to \$298,232.80 in 2018.
3. During the year, the District had expenses for governmental activities that were \$323,528.07 less than the \$593,935.11 generated in tax and other revenues.

USING THIS ANNUAL REPORT

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 on the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

These two statements report the 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 one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, fees, and state aid finance most of these activities.
- Business-type-activities: the District has no proprietary funds.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law.

Governmental funds: most of 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 left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one 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 relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation.

Notes to the Basic Financial Statements: The notes provided additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Major Features of
Township of Parsippany-Troy Hills
Fire District Number 2
Fund Financial Statements
(Figure A-1)**

	Government wide Statements	Fund Statements Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position changed from a year ago, increasing from \$1,964,600.46 (as restated) to \$2,291,797.06. Looking at the net position and net expenses of governmental activities, different stories emerge. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities as of December 31.

**Table 1
Net Position**

	<u>Governmental Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$271,394.15	\$601,548.57	\$271,394.15	\$601,548.57
Capital Assets	<u>2,022,731.91</u>	<u>1,372,007.24</u>	<u>2,022,731.91</u>	<u>1,372,007.24</u>
Total Assets	<u>2,294,126.06</u>	<u>1,973,555.81</u>	<u>2,294,126.06</u>	<u>1,973,555.81</u>
Accounts Payable	<u>2,329.00</u>	<u>2,329.00</u>	<u>2,329.00</u>	<u>2,329.00</u>
Net Position:				
Net Investment in Capital Assets	2,022,731.91	1,372,007.24	2,022,731.91	1,372,007.24
Restricted	156,960.32	488,362.20	156,960.32	488,362.20
Unassigned	<u>112,104.83</u>	<u>110,857.37</u>	<u>112,104.83</u>	<u>110,857.37</u>
Total Net Position	<u>\$2,291,797.06</u>	<u>\$1,971,226.81</u>	<u>\$2,291,797.06</u>	<u>\$1,971,226.81</u>

- Net position of the District's governmental activities increased \$327,196.60 or 16.60 percent.
- Unassigned net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased \$1,247.46.
- Restricted net position decreased by \$331,401.88 due to the purchase of a new fire truck.
- The net investment in capital assets increased \$650,724.67 due to purchase of fixed assets.

**Table 2
Changes in Net Position**

	<u>Governmental Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Revenues</u>				
General Revenues:				
Property Taxes	\$584,468.00	\$327,910.00	\$584,468.00	\$327,910.00
Interest and Investment Earnings	5,759.62	6,393.50	5,759.62	6,393.50
Other General Revenues	<u>3,707.49</u>	<u>6,855.16</u>	<u>3,707.49</u>	<u>6,855.16</u>
Total Revenues	<u>593,935.11</u>	<u>341,158.66</u>	<u>593,935.11</u>	<u>341,158.66</u>
<u>Program Expenses, Including Indirect Expenses</u>				
Administration:				
Salaries	10,825.00	11,150.00	10,825.00	11,150.00
Other Expenses	42,638.97	39,287.18	42,638.97	39,287.18
Cost of Providing Services:				
Other Expenses	<u>213,274.54</u>	<u>247,795.62</u>	<u>213,274.54</u>	<u>247,795.62</u>
Total Expenses	<u>266,738.51</u>	<u>298,232.80</u>	<u>266,738.51</u>	<u>298,232.80</u>
Increase/(Decrease) in Net Position	<u>\$327,196.60</u>	<u>\$ 42,925.86</u>	<u>\$327,196.60</u>	<u>\$ 42,925.86</u>

**Table 3
Governmental Funds**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Revenues by Source:				
Local Sources:				
Local Tax Levy	\$584,468.00	\$327,910.00	\$256,558.00	78.24%
Interest on Investment	5,759.62	6,393.50	(633.88)	(9.91)%
Miscellaneous	<u>3,707.49</u>	<u>6,855.16</u>	<u>(3,147.67)</u>	<u>(45.92)%</u>
Total - Local Sources	<u>593,935.11</u>	<u>341,158.66</u>	<u>252,776.45</u>	<u>74.09%</u>
Total Revenues	<u>593,935.11</u>	<u>341,158.66</u>	<u>252,776.45</u>	<u>74.09%</u>
Expenditures by Function:				
Administration:				
Salaries	10,825.00	11,150.00	(325.00)	(2.91)%
Other Expenses	42,638.97	39,287.18	3,351.79	8.53%
Cost of Providing Services:				
Other Expenses	139,232.07	173,753.16	(34,521.09)	22.75%
Capital Outlay	<u>724,767.14</u>	<u>111,807.38</u>	<u>612,959.76</u>	<u>548.23%</u>
Total Expenditures	<u>\$917,463.18</u>	<u>\$335,997.72</u>	<u>\$581,465.46</u>	<u>173.06%</u>

**Table 4
Capital Assets**

Net Investment in Capital Assets at Year-End

	<u>Governmental Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Building and Improvements	\$672,350.82	\$538,977.17	\$672,350.82	\$538,977.17
Machinery and Equipment	2,742,646.39	2,047,879.25	2,742,646.39	2,039,445.52
Construction in Progress	<u>103,373.65</u>	<u>103,373.65</u>	<u>103,373.65</u>	<u>103,373.65</u>
Subtotal	<u>3,414,997.21</u>	<u>2,690,230.07</u>	<u>3,414,997.21</u>	<u>2,690,230.07</u>
Accumulated Depreciation	<u>(1,392,265.30)</u>	<u>(1,318,222.83)</u>	<u>(1,392,265.30)</u>	<u>(1,318,222.83)</u>
Total Net Position	<u>\$2,022,731.91</u>	<u>\$1,372,007.24</u>	<u>\$2,022,731.91</u>	<u>\$1,372,007.24</u>

BUDGETS

There were no significant variances between the originally adopted budget and revised budget for the year 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Commissioners, Township of Parsippany-Troy Hills Fire District Number 2, 1 Rainbow Trail, Denville, New Jersey 07834.

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
STATEMENT OF NET POSITION
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 112,433.83	\$ 112,433.83
Restricted Assets:		-
Cash and Cash Equivalents	156,960.32	156,960.32
Prepaid Expense (Unrestricted)	2,000.00	2,000.00
Capital Assets, Net	<u>2,022,731.91</u>	<u>2,022,731.91</u>
Total Assets	<u>\$ 2,294,126.06</u>	<u>\$ 2,294,126.06</u>
LIABILITIES		
Payable From Unrestricted Assets:		
Accounts Payable	<u>\$ 2,329.00</u>	<u>2,329.00</u>
Total Liabilities	<u>\$ 2,329.00</u>	<u>\$ 2,329.00</u>
NET POSITION		
Net Investment in Capital Assets	\$ 2,022,731.91	\$ 2,022,731.91
Restricted for:		
Capital Projects	156,960.32	156,960.32
Unassigned	<u>112,104.83</u>	<u>112,104.83</u>
Total Net Position	<u>\$ 2,291,797.06</u>	<u>\$ 2,291,797.06</u>

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

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
STATEMENT OF ACTIVITIES
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:						
Administration:						
Salaries	\$ 10,825.00	\$ -	\$ -	\$ -	\$ (10,825.00)	\$ (10,825.00)
Other Expenses	42,638.97				(42,638.97)	(42,638.97)
Cost of Providing Services:						
Other Expenses	213,274.54	-	-	-	(213,274.54)	(213,274.54)
Total Governmental Activities	<u>266,738.51</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(266,738.51)</u>	<u>(266,738.51)</u>
15 Total Primary Government	<u>\$ 266,738.51</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (266,738.51)</u>	<u>\$ (266,738.51)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes					\$ 584,468.00	\$ 584,468.00
Investment Earnings					5,759.62	5,759.62
Miscellaneous Income					3,707.49	3,707.49
Total General Revenues					<u>593,935.11</u>	<u>593,935.11</u>
Change in Net Position					327,196.60	327,196.60
Net Position—Beginning As Previously Stated					1,971,226.81	1,971,226.81
Prior Period Adjustment					(6,626.35)	(6,626.35)
Net Position—Beginning As Restated					<u>1,964,600.46</u>	<u>1,964,600.46</u>
Net Position—Ending					<u>\$ 2,291,797.06</u>	<u>\$ 2,291,797.06</u>

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

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 112,433.83	\$ 156,960.32	\$ 269,394.15
Prepaid Expense	2,000.00		2,000.00
Total Assets	<u>114,433.83</u>	<u>156,960.32</u>	<u>271,394.15</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 2,329.00	\$ -	\$ 2,329.00
Total Liabilities	<u>2,329.00</u>	<u>-</u>	<u>2,329.00</u>
Fund Balances:			
Restricted for:			
Capital Projects Fund		156,960.32	156,960.32
Unassigned, reported in:			
General Fund	112,104.83	-	112,104.83
Total Fund Balances	<u>112,104.83</u>	<u>156,960.32</u>	<u>269,065.15</u>
Total Liabilities and Fund Balances	<u>\$ 114,433.83</u>	<u>\$ 156,960.32</u>	

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 \$3,414,997.21 and the accumulated depreciation is \$1,392,265.30.

2,022,731.91

Net Position of Governmental Activities

\$ 2,291,797.06

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

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources:			
Local Tax Levy	\$ 489,468.00	\$ 95,000.00	\$ 584,468.00
Interest Earned on Investments	2,161.50	3,598.12	5,759.62
Miscellaneous	3,707.49		3,707.49
Total - Local Sources	<u>495,336.99</u>	<u>98,598.12</u>	<u>593,935.11</u>
Total Revenues	<u>495,336.99</u>	<u>98,598.12</u>	<u>593,935.11</u>
EXPENDITURES			
Current:			
Administration:			
Salaries	10,825.00		10,825.00
Other Expenses	42,638.97		42,638.97
Cost of Providing Services:			
Other Expenses	139,232.07		139,232.07
Capital Outlay	724,767.14		724,767.14
Total Expenditures	<u>917,463.18</u>	<u>-</u>	<u>917,463.18</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(422,126.19)</u>	<u>98,598.12</u>	<u>(323,528.07)</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers In	430,000.00		430,000.00
Transfers (Out)	-	(430,000.00)	(430,000.00)
Total Other Financing Sources and (Uses)	<u>430,000.00</u>	<u>(430,000.00)</u>	<u>-</u>
Net Change in Fund Balances	7,873.81	(331,401.88)	(323,528.07)
Fund Balance—January 1 As Previously Stated	110,857.37	488,362.20	599,219.57
Prior Period adjustment (Note ?)	(6,626.35)		(6,626.35)
Fund Balance—January 1 As Restated	<u>104,231.02</u>	<u>488,362.20</u>	<u>592,593.22</u>
Fund Balance—December 31	<u>\$ 112,104.83</u>	<u>\$ 156,960.32</u>	<u>\$ 269,065.15</u>

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

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019**

Total net change in fund balances - governmental funds (from B-2) **\$ (323,528.07)**

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	\$ (74,042.47)	
	Capital outlays	<u>724,767.14</u>	
			<u>650,724.67</u>

Change in net position of governmental activities **\$ 327,196.60**

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Fire District (Board) of the Township of Parsippany-Troy Hills Fire District Number 2 (“the District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as a Fire District. The Board consists of elected officials and is responsible for the fiscal control of the District. A treasurer is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the Township of Parsippany-Troy Hills Fire District Number 2 reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one fire house located in the Township of Parsippany-Troy Hills. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year.

Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Government-Wide Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

D. 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 Fund Types

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:

General Fund – The 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.

Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 1: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its district the entire balance of taxes in the amount voted upon or certified, prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

F. Budgets/Budgetary Control

Annual budgets are adopted on a basis consistent with the requirements of law and the rules and regulations of the State of New Jersey, Department of Community Affairs, Local Finance Board. The Budgets, both operating and capital, can be considered statement of the financial plans of the District.

The annual budget is required to be balanced and fire districts are permitted to utilize unrestricted net position to balance their budget; however, the maximum amount which can be utilized is the lesser of (a) the estimated year-end balance of unrestricted net position or (b) working capital reduced by unrestricted position not ordinarily convertible into cash (non-liquid, such as prepaid insurance and inventory).

Amendments to the operating and/or capital budgets may be permitted for a variety of conditions, as more fully described in the rules and regulations promulgated by the Local Finance Board. There were no significant budget amendments during the fiscal year.

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 1: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (continued)

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 in governmental funds are reported as reservations of fund balances at fiscal yearend as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are 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. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and Agency Obligations and Certificate of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 40A:5-15.1 et. seq. provides a list of permissible investments that may be purchased by New Jersey fire districts.

2. Inventories

Inventories, which benefit future periods, other than those that may be recorded in the enterprise fund are recorded as expenditure during the year of purchase.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more 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. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Improvements	10-20 years
Other Infrastructure	10-50 years

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 1: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

3. Capital Assets (Continued)

Land and Construction in Progress are not depreciated.

GASBS No. 34 required the District to report and depreciate new infrastructure assets effective for fiscal year ending December 31, 2006. Neither their historical cost nor related depreciation had historically been reported in the financial statements. The District elected to implement the general provisions of GASBS No. 34 in the fiscal year ending December 31, 2006.

4. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund 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 a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

5. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

6. Use of Estimates

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

H. Recent Accounting Pronouncements

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. This Statement will not have an effect on the financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 2: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At December 31, 2019 the District's cash and cash equivalents amounted to \$350,201.13. Of this amount, \$250,000.00 was covered by federal depository insurance (F.D.I.C.) and \$100,201.13 was covered by a collateral pool maintained by the banks as required by GUDPA.

At December 31, 2019 the District did not participate in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of December 31, 2019, none of the District's cash and cash equivalents of \$350,201.13 was exposed to custodial credit risk.

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 2: Detailed Disclosure Regarding Assets and Revenues (Continued)

Investments

New Jersey statutes (N.J.S.A. 40A:5-15.1) permit the District to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its members the Board of Commissioners of any fire district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the fire district;
- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
 - (4) Bonds or other obligations of the fire district or bonds or other obligations of local unit or units within which the fire district is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by fire district;
 - (6) Local government investment pools;
 - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
 - (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

The District had no investments at December 31, 2019.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Corporation (S&P). U.S. government debt is considered to have no credit risk.

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 2: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. Since certificates of deposits are covered by F.D.I.C. and GUDPA and U. S. government debt is guaranteed, there is no custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in a single issuer.

B. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement/ Adjustment</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated:				
Construction in Progress	\$ <u>103,373.65</u>	\$ _____	\$(<u>103,373.65</u>)	\$ _____
Governmental Activities:				
Building and Improvements	538,977.17	30,000.00	103,373.65	672,350.82
Machinery and Equipment	<u>2,047,879.25</u>	<u>694,767.14</u>	_____	<u>2,742,646.39</u>
Totals at Historical Cost	<u>2,586,856.42</u>	<u>724,767.14</u>	<u>103,373.65</u>	<u>3,414,997.21</u>
Less Accumulated Depreciation for:				
Building and Improvements	(470,628.69)	(14,544.11)		
	(485,172.80)			
Machinery and Equipment	<u>(847,594.14)</u>	<u>(59,498.36)</u>	_____	<u>(907,092.50)</u>
Total Accumulated Depreciation	<u>(1,318,222.83)</u>	<u>(74,042.47)</u> (1)	_____ -	<u>(1,392,265.30)</u>
Net Capital Assets Being Depreciated	<u>1,268,633.59</u>	<u>650,724.67</u>	<u>103,373.65</u>	<u>2,022,731.91</u>
Governmental Activities Capital Assets, Net	<u>\$1,372,007.24</u>	<u>\$650,724.67</u>	\$ _____ -	<u>\$2,022,731.91</u>

(1) Depreciation expense was charged to governmental functions as follows:

Cost of Providing Services	<u>\$74,042.47</u>
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TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Note 3: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has no commitments to lease equipment under operating leases.

B. Long - Term Liabilities

The District has no Long - Term liability for the year ended December 31, 2019.

Note 4: Prior Period Adjustment

The beginning balances of Net Position on Exhibit A-2 and the Fund Balance on Exhibit B-2 and C-1 were adjusted for a prior year accounts payable expensed in 2019. The effect was to lower the beginning balances of Net Positions and Fund Balance and to lower Expenditures in 2019.

Note 5: Subsequent Events

The District's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

SUPPLEMENTARY INFORMATION

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
REVENUES:					
Local Sources:					
District Taxes	\$ 489,468.00	\$ -	\$ 489,468.00	\$ 489,468.00	\$ -
Interest on Investments	-	-	-	2,161.50	2,161.50
Other Income	-	-	-	3,707.49	3,707.49
Total Revenues - Local Sources	<u>489,468.00</u>	<u>-</u>	<u>489,468.00</u>	<u>495,336.99</u>	<u>5,868.99</u>
Total Revenues	<u>489,468.00</u>	<u>-</u>	<u>489,468.00</u>	<u>495,336.99</u>	<u>5,868.99</u>
EXPENDITURES:					
Current Expense:					
Administration:					
Salaries and Wages	<u>11,150.00</u>	<u>(300.00)</u>	<u>10,850.00</u>	<u>10,825.00</u>	<u>25.00</u>
Insurance Premiums		-			-
Dinner Dance	8,150.00	(850.00)	7,300.00	7,223.24	76.76
Professional Services	8,000.00	(1,000.00)	7,000.00	6,908.50	91.50
Advertising	200.00	50.00	250.00	200.95	49.05
Elections	400.00	50.00	450.00	446.98	3.02
Hose Test	1,800.00	(100.00)	1,700.00	1,653.96	46.04
Ladder Test	1,200.00	(50.00)	1,150.00	1,107.00	43.00
Office Supplies and Postage	1,800.00	100.00	1,900.00	1,855.97	44.03
Other	<u>17,300.00</u>	<u>6,000.00</u>	<u>23,300.00</u>	<u>23,242.37</u>	<u>57.63</u>
Total Administration- Other Expenses	<u>38,850.00</u>	<u>4,200.00</u>	<u>43,050.00</u>	<u>42,638.97</u>	<u>411.03</u>
Total Administration Expenses	<u>50,000.00</u>	<u>3,900.00</u>	<u>53,900.00</u>	<u>53,463.97</u>	<u>436.03</u>

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (Continued):					
Current Expense (Continued):					
Cost of Providing Services:					
Other Expenses:					
Capital Projects	680,000.00	\$ -	680,000.00	680,000.00	\$ -
Insurance Premiums	\$48,000.00	\$ 2,100.00	\$ 50,100.00	\$50,037.93	\$ 62.07
Enhanced TGR Support	4,000.00	(3,200.00)	800.00	750.00	50.00
Promotion	42,000.00	(11,600.00)	30,400.00	30,310.00	90.00
Operating Materials and Supplies	18,000.00	(3,000.00)	15,000.00	14,751.39	248.61
Utilities and Related Services	9,000.00	-	9,000.00	8,308.72	691.28
Maintenance and Repairs	50,000.00	(14,900.00)	35,100.00	35,074.03	25.97
Fire Equipment Support	18,468.00	26,700.00	45,168.00	44,767.14	400.86
Total Cost of Providing Services	<u>869,468.00</u>	<u>(3,900.00)</u>	<u>865,568.00</u>	<u>863,999.21</u>	<u>1,568.79</u>

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019
(CONCLUDED)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Current Expense (Continued):					
Total Current Expense	\$ 919,468.00	\$ -	\$ 919,468.00	\$ 917,463.18	\$ 2,004.82
Total Expenditures	<u>919,468.00</u>	<u>-</u>	<u>919,468.00</u>	<u>917,463.18</u>	<u>2,004.82</u>
Excess or (Deficiency) of Revenues Over/(Under) Expenditures	<u>(430,000.00)</u>	<u>-</u>	<u>(430,000.00)</u>	<u>(422,126.19)</u>	<u>7,873.81</u>
Other Financing Sources (Uses):					
Operating Transfers In	<u>430,000.00</u>	<u>-</u>	<u>430,000.00</u>	<u>430,000.00</u>	<u>-</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,873.81</u>	<u>7,873.81</u>
FUND BALANCE, JANUARY 1 AS PREVIOUSLY STATED	110,857.37	-	110,857.37	110,857.37	
PRIOR PERIOD ADJUSTMENT	<u>(6,626.35)</u>		<u>(6,626.35)</u>	<u>(6,626.35)</u>	
FUND BALANCE, JANUARY 1 AS RESTATED	<u>104,231.02</u>	<u>-</u>	<u>104,231.02</u>	<u>104,231.02</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 104,231.02</u>	<u>\$ -</u>	<u>\$ 104,231.02</u>	<u>\$ 112,104.83</u>	<u>\$ 7,873.81</u>
<u>Recapitulation of excess (deficiency) of revenues under expenditures:</u>					
Budgeted Fund Balance	<u>430,000.00</u>		<u>430,000.00</u>	<u>422,126.19</u>	<u>7,873.81</u>
Recapitulation:					
Unassigned Fund Balance				<u>112,104.83</u>	

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019

		Capital Improvement <u>Fund</u>
Fund Balances at Beginning of Year	\$	488,362.20
Increased by:		
Operating Transfers In	95,000.00	
Interest on Investments	3,598.12	
		98,598.12
		586,960.32
Decreased by:		
Operating Transfer Out:		430,000.00
Fund Balances at End of Year	\$	156,960.32

STATISTICAL SECTION

**TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2**

STATISTICAL INFORMATION

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rate</u>
2019	652,077,400.00	584,468.00	0.090
2018	651,326,100.00	327,910.00	0.050
2017	651,629,700.00	319,671.00	0.049
2016	647,893,376.00	285,500.00	0.044
2015	656,627,900.00	284,815.00	0.043
2014	667,603,100.00	275,000.00	0.042
2013	670,174,400.00	267,500.00	0.040
2012	677,760,100.00	258,000.00	0.038
2011	686,079,000.00	260,400.00	0.038
2010	691,578,300.00	253,900.00	0.037

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>End of Fiscal Year</u>	<u>Utilized In Budget of Succeeding Year</u>
December 31, 2019	269,065.15	-0-
December 31, 2018	599,219.57	430,000.00
December 31, 2017	594,058.63	110,000.00
December 31, 2016	493,398.49	2,329.00
December 31, 2015	390,374.74	24,500.00
December 31, 2014	242,350.81	27,685.00
December 31, 2013	684,881.80	543,500.00
December 31, 2012	641,567.48	121,000.00
December 31, 2011	540,919.88	60,500.00
December 31, 2010	437,816.04	58,100.00

REPORTS PURSUANT TO
GOVERNMENT AUDITING STANDARDS

* * * * *

GENERAL COMMENTS
AND RECOMMENDATIONS



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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"

The Honorable Chairman and
Members of the Board of Fire Commissioners
Township of Parsippany-Troy Hills Fire District Number 2
County of Morris, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, (the "Division") 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 the major fund of the Parsippany-Troy Hills Fire District Number 2 in the County of Morris (the "Fire District") as of, and for the year ended, December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated May 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 Fire District'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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2019-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Parsippany-Troy Hills Fire District Number 2'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 test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Fire District's Response to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District'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 Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information of the governing body, management, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.

Wielkotz & Company, LLC

Wielkotz & Company, LLC
Certified Public Accountants
Newton, New Jersey

May 7, 2020

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

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

Summary of Auditor's Results:

- The Independent Auditor's Report expressed an unmodified opinion on the Fire District's governmental activities financial statements.
- Significant deficiencies were disclosed during the audit of financial statements as reported in the *Independent Auditor's 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*. No material weaknesses are reported
- No instances of noncompliance material to the financial statements of the Fire District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2019-01

During our audit, we noted that the Fire District does not maintain an adequate segregation of duties due to limited personnel. The functions of handling cash and preparation of cash disbursement books are performed by one individual. This is not unusual in operations the size of the Fire District, but management should constantly be aware of this condition and realize the concentration of duties and responsibility in a limited number of individuals is not desirable from a control point of view.

Management Response:

The finding 2019-01 was evaluated. The Fire District was made aware if this lack of internal control and will consider strengthening internal control within reason of the costs, benefits derived and budgetary constraints.

TOWNSHIP OF PARSIPPANY-TROY HILLS
FIRE DISTRICT NUMBER 2

**SUMMARY SCHEDULE OF
PRIOR-YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Fire Districts' prior year finding, 2018-01, regarding Segregation of Duties has not been corrected and is included in the audit for the year ended December 31, 2019.

Finding 2018-01:

Condition:

The Fire District does not maintain an adequate segregation of duties due to limited personnel. The functions of handling cash and preparation of cash disbursement books are performed by one individual. This is not unusual in operations the size of the Fire District, but management should constantly be aware of this condition and realize the concentration of duties and responsibility in a limited number of individuals is not desirable from a control point of view.

Current Status:

Corrective action was not taken. The Fire District was made aware of this lack of internal control and will consider strengthening internal control within reason of the costs, benefits derived and budget constraints.

GENERAL COMMENTS

Contracts and Agreements

N.J.S.A. 40A:11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law."

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$40,000.

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$40,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and, bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J. S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

The bid threshold in accordance with N.J.S.A. 40A:11-3 (as amended) is \$40,000.

The governing body has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Authority's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

GENERAL COMMENTS (continued)

Contracts and Agreements, (continued)

Our examination of expenditures did not reveal any individual payments, contracts, or agreements "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds other than those where bids had been previously sought by public advertisement or where a resolution had previously been adopted under the provisions of N.J.S.A. 40A:11-6.

Our review of the Authority's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40k 11-5.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

EXAMINATION OF CLAIMS

Claims paid during the period under review were examined for clerical accuracy and proper approvals.

The review and inquiry indicate good scrutiny on the part of the Fire District and Fire District Officials regarding expenditures.

RECOMMENDATIONS

1. That the Fire District maintain an adequate segregation of duties for the operation of the Treasurer.

STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year's recommendations and corrective action was taken on all except for the following:

1. That the Fire District maintain an adequate segregation of duties for the operation of the Treasurer.

APPRECIATION

We wish to express our appreciation for the assistance and courtesies extended to us during the audit. Should any question arise as to our audit comments, please do not hesitate to call us

Respectfully submitted,

Wielkotz & Company, LLC
Wielkotz & Company, LLC
Certified Public Accountants