

Annual
Financial Report

of the

***Board of Fire Commissioners
Fire District Number Three of
the Township of Bridgewater***

For the Years Ended
December 31, 2022 and 2021

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District Number Three of the
Township of Bridgewater
P.O. Box 6655
Bridgewater, New Jersey 08807

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Fire District Number Three of the Township of Bridgewater (the "Fire District") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fire District as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Piscataway Fire District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Piscataway Fire District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

SUPLEE, CLOONEY & COMPANY

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fire District's ability to continue as a going concern for a reasonable period of time.

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these supplementary schedules are fairly stated, in all material respects, in relation to the 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 November 15, 2023 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fire District's internal control over financial reporting and compliance.

November 15, 2023





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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**

Board of Fire Commissioners
Fire District Number Three of the
Township of Bridgewater
P.O. Box 6655
Bridgewater, New Jersey 08807

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fire District Number Three of the Township of Bridgewater (the "Fire District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Fire District's financial statements, and have issued our report thereon dated November 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fire District's control over financial reporting (internal control) 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 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.

SUPLEE, CLOONEY & COMPANY

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 15, 2023

Handwritten signature in black ink, appearing to read "Suplee, Clooney & Company".

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis **Unaudited**

In this section of the annual report, management of The Board of Fire Commissioners Fire District Number Three of the Township of Bridgewater (the "District") presents a narrative discussion and analysis of the District's financial activities for the years ended December 31, 2022 and 2021. This section of the report should be read in conjunction with the District's audited financial statements and supplementary information for the years ended December 31, 2022 and 2021. The District's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee Clooney & Company is included in this report.

Financial Highlights

Total assets at year-end 2022 totaled \$4.73 million comprised of cash and fixed assets a decrease of \$117 thousand or 2.4% from 2021's \$4.85 million.

Liabilities total \$874 thousand at year-end 2022 and \$947,049 thousand at year-end 2021. The decrease is related to the lease payment made for the year, which reduced lease payable. Working capital balances are adequate to meet the operational needs of the District.

Operating Revenues totaled \$1.02 million while Operating Expenses totaled \$1.06 million. Operating Expenses increased \$40 thousand or 3.9% over prior year expenses of \$1.03 million. Total operating revenues decreased \$35 thousand or 3.3% from prior year revenue of \$1.06 million.

Revenue from property tax totaled \$1,011,625 for 2022, \$993,077 for 2021 an increase of 1.9%.

Cash and Investments of \$1.08 million decreased \$189 thousand or 15% from prior year's total of \$1.26 million.

Overview of Annual Financial Report

The financial statements consist of the following parts: Management's Discussion and Analysis; the basic financial statements consisting of government-wide financial statements and fund financial statements; notes to the financial statements; and required supplemental information.

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

The basic government-wide financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Overview of Annual Financial Report (Continued)

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position and Statement of Activities. The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenue and expenses during the year regardless of when cash is received or paid. This form of reporting is new in this fiscal year and will continue in the future.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement Revenues, Expenses and Changes in Fund Balances reports revenue 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 or soon after the end of the year.

Exhibit B-3 - Reconciliation of the Government Fund Balance Sheet to the Government-wide Statement of Net Position, explains the differences between the two balance sheets. Exhibit B-4 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Government Funds to the Statement of Activities, traces the change in fund balances to the change in net assets reported in Exhibit A-2.

General Fund - This fund is used to finance the operations of the District. All tax revenues are placed in the General Fund and regular operating expenses are charged here. Funds used for Capital Equipment and projects are transferred from the General Fund to the Capital Outlay Fund.

Capital Projects Fund - Used to separate funds for capital equipment and projects. All capital expenditures are taken from this fund. Funds in this account come from revenue transferred from the General Fund to be used for capital improvements, the sale of existing assets (such as equipment), and interest received on the balance in the fund.

Debt Service Fund - Used to separate funds for lease and loan payments. All debt service payments are taken from this fund. Funds in this account come from revenue transferred from the General Fund to be used for principal and interest on lease and loan payments and interest received on the balance in the fund.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

Summary of Organization and Business

Fire District Number Three of the Township of Bridgewater is a political subdivision of the Township of Bridgewater, Somerset 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 taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. The Fire District has three fire companies operating from five fire stations within its jurisdiction.

The Fire District is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

Revenues are generated largely from taxation based on assessed valuations in the Township of Bridgewater.

Contacting the District's Management

Any questions about the District's report or if additional information is needed, please contact the Board of Fire Commissioners Fire District Number Three, P.O. Box 6655, Bridgewater, New Jersey 08807.

Condensed Financial Statements

Condensed Statements of Net Position

	December 31		Variance		2020
	<u>2022</u>	<u>2021</u>	<u>Dollars</u>	<u>%</u>	
Assets					
Cash and Investments	\$ 1,076,261	\$ 1,265,431	\$ (189,170)	-14.9%	\$ 1,404,590
Other Assets					
Vehicles and Equipment - Net	<u>3,653,616</u>	<u>3,581,239</u>	<u>72,377</u>	<u>2.0%</u>	<u>2,463,426</u>
Total Assets	<u>\$ 4,729,877</u>	<u>\$ 4,846,670</u>	<u>\$ (116,793)</u>	<u>-2.4%</u>	<u>\$ 3,868,016</u>
Liabilities					
Accounts Payable	\$ 344,995	\$ 357,090	\$ (12,095)	-3.4%	\$ -
Lease Payable	<u>\$ 528,577</u>	<u>\$ 589,959</u>	<u>(61,382)</u>	<u>-10.4%</u>	<u></u>
Total Liabilities	<u>873,572</u>	<u>947,049</u>	<u>(73,477)</u>	<u>-7.8%</u>	<u></u>
Net Position					
Net Investment in Capital Assets	3,125,039	2,991,280	133,759	4.5%	2,463,426
Unrestricted Net Position					
General Fund	175,430	124,169	51,261	41.3%	820,418
Capital Projects Fund	<u>555,836</u>	<u>784,172</u>	<u>(228,336)</u>	<u>-29.1%</u>	<u>584,172</u>
Total Net Position	<u>3,856,305</u>	<u>3,899,621</u>	<u>(43,316)</u>	<u>-1.1%</u>	<u>3,868,016</u>
Total Liabilities and Net Position	<u>\$ 4,729,877</u>	<u>\$ 4,846,670</u>	<u>\$ (116,793)</u>	<u>-2.4%</u>	<u>\$ 3,868,016</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	December 31		Variance		2020
	<u>2022</u>	<u>2021</u>	<u>Dollars</u>	<u>%</u>	
Operating Revenues:					
Taxation	\$ 1,011,625	\$ 993,077	18,548	1.9%	\$ 971,581
Other	<u>12,280</u>	<u>65,559</u>	<u>\$ (53,279)</u>	<u>-81.3%</u>	<u>10,874</u>
Total Operating Revenues	<u>1,023,905</u>	<u>1,058,636</u>	<u>(34,731)</u>	<u>-3.3%</u>	<u>982,455</u>
Operating Expenses:					
Operations and Maintenance	<u>1,067,221</u>	<u>1,027,031</u>	<u>40,190</u>	<u>3.9%</u>	<u>923,736</u>
Total Operating Expenses	<u>1,067,221</u>	<u>1,027,031</u>	<u>40,190</u>	<u>3.9%</u>	<u>923,736</u>
Change in Net Position	<u>(43,316)</u>	<u>31,605</u>	<u>(74,921)</u>	<u>-237.1%</u>	<u>58,719</u>
Net Position, Beginning of Year	<u>3,899,621</u>	<u>3,868,016</u>	<u>31,605</u>	<u>0.8%</u>	<u>3,809,297</u>
Net Position, End of Year	<u>\$ 3,856,305</u>	<u>\$ 3,899,621</u>	<u>\$ (43,316)</u>	<u>-1.1%</u>	<u>\$ 3,868,016</u>

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

STATEMENTS OF NET POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,076,261	\$ 1,265,431
Other Assets		
Vehicles and Equipment	6,606,730	6,314,453
Less: Accumulated Depreciation	<u>(2,953,114)</u>	<u>(2,733,214)</u>
	<u>3,653,616</u>	<u>3,581,239</u>
 Total Assets	 <u>\$ 4,729,877</u>	 <u>\$ 4,846,670</u>
 <u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 344,995	\$ 357,090
Lease Payable	<u>\$ 528,577</u>	<u>589,959</u>
 Total Current Liabilities	 <u>873,572</u>	 <u>947,049</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	3,125,039	2,991,280
Unrestricted Net Position:		
General Fund	175,430	124,169
Capital Projects Fund	<u>555,836</u>	<u>784,172</u>
 Total Net Position	 <u>3,856,305</u>	 <u>3,899,621</u>
 <u>TOTAL LIABILITIES AND NET POSITION</u>	 <u>\$ 4,729,877</u>	 <u>\$ 4,846,670</u>

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

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>FUNCTIONS</u>		
Fire Protection:		
Contracts	\$ 490,712	\$ 481,088
Insurance	101,219	142,586
Salaries and Benefits	15,000	14,500
LOSAP	61,820	49,331
Administrative	56,904	32,836
Equipment and Supplies	109,795	61,291
Interest	11,871	13,212
Depreciation	219,900	232,187
	1,067,221	1,027,031
<u>GENERAL REVENUES</u>		
Property Tax	1,011,625	993,077
Contributions and Other Revenue	12,280	65,559
Total General Revenues	1,023,905	1,058,636
	(43,316)	31,605
<u>CHANGES IN NET POSITION</u>		
<u>NET POSITION:</u>		
Beginning of the Year	3,899,621	3,868,016
End of the Year	\$ 3,856,305	\$ 3,899,621

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

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MAJOR FUNDS FINANCIAL STATEMENTS

BOARD OF FIRE COMMISSIONERS
 FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

BALANCE SHEETS GOVERNMENTAL FUNDS

DECEMBER 31, 2022 AND 2021

	TOTAL GOVERNMENTAL FUNDS 2022			TOTAL GOVERNMENTAL FUNDS 2021		
	GENERAL FUND	CAPITAL PROJECTS FUND	GENERAL FUND	GENERAL FUND	CAPITAL PROJECTS FUND	GENERAL FUND
ASSETS						
Cash and Cash Equivalents	\$ 175,430	\$ 900,831	\$ 1,076,261	\$ 124,169	\$ 1,141,262	\$ 1,265,431
Other Assets						
Total Assets	\$ 175,430	\$ 900,831	\$ 1,076,261	\$ 820,418	\$ 584,172	\$ 1,265,431
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts Payable	\$ -	\$ 344,995	\$ 344,995	\$ -	\$ 357,090	\$ 357,090
Lease Payable						
Total Current Liabilities		344,995	344,995		357,090	357,090
FUND BALANCES						
Reserved for:						
Unreserved, Undesignated	175,430	555,836	731,266	124,169	784,172	908,341
Total Fund Balances	175,430	555,836	731,266	124,169	784,172	908,341
TOTAL LIABILITIES AND FUND BALANCES	\$ 175,430	\$ 900,831	\$ 1,076,261	\$ 124,169	\$ 1,141,262	\$ 1,265,431

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

BOARD OF FIRE COMMISSIONERS
 FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS 2022	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS 2021
REVENUES:								
Local Sources:								
Property Tax	\$ 1,011,625		\$ - 0 -	\$ 1,011,625	\$ 293,077	\$ 700,000	\$ - 0 -	\$ 993,077
Contributions and Other Revenue	12,280			12,280	65,559			65,559
	<u>1,023,905</u>			<u>1,023,905</u>	<u>358,636</u>	<u>700,000</u>		<u>1,058,636</u>
EXPENDITURES:								
Fire Protection:								
Contracts	490,712			490,712	481,088			481,088
Insurance	101,219			101,219	142,586			142,586
Salaries and Benefits	15,000			15,000	14,500			14,500
LOSAP	61,820			61,820	49,331			49,331
Administrative	32,096			32,096	32,836			32,836
Lease Payment	73,253			73,253	73,253			73,253
Equipment and Supplies	198,544	228,336		426,880	261,291	500,000		761,291
	<u>972,644</u>	<u>228,336</u>		<u>1,200,980</u>	<u>1,054,885</u>	<u>500,000</u>		<u>1,554,885</u>
Total Expenditures								
	51,261	(228,336)		(177,075)	(696,249)	200,000		(496,249)
Net Change in Fund Balances								
	124,169	784,172	\$ - 0 -	908,341	820,418	584,172	\$ - 0 -	1,404,590
Fund Balances, Beginning of the Year								
	\$ 175,430	\$ 555,836	\$ - 0 -	\$ 731,266	\$ 124,169	\$ 784,172	\$ - 0 -	\$ 908,341

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

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Total Fund Balances - Governmental Funds (From Exhibit B-1)	\$ 731,266	\$ 908,341
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds.</p>		
Total Historical Cost of Capital Assets	6,606,730	6,314,453
Lease Payable	(528,577)	(589,959)
Less: Accumulated Depreciation	<u>(2,953,114)</u>	<u>(2,733,214)</u>
Net Position (From Exhibit A-1)	<u>\$ 3,856,305</u>	<u>\$ 3,899,621</u>

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

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net Change in Fund Balances - Total Governmental Funds (From Exhibit B-2)	\$ (177,075)	\$ (496,249)
Amounts reported for governmental activities in the Statement of Activities (From Exhibit A-2) are different as follows:		
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year.		
Current Year Capital Outlays	353,659	760,041
Less: Current Year Depreciation Expense	<u>(219,900)</u>	<u>(232,187)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ (43,316)</u>	<u>\$ 31,605</u>

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

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(1) GENERAL

Fire District Number Three of the Township of Bridgewater (the "Fire District") is a political subdivision of the Township of Bridgewater, Somerset County, New Jersey. It was formed through the adoption of a Township ordinance.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location. The Fire District has three fire companies operating from five fire stations within its jurisdiction.

The Fire District is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No.

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.

The official accounting records, along with the supporting documentation, of the Fire District are maintained by the Treasurer.

Minutes are recorded for meetings and contain approvals for disbursements. The Fire District prepares a fiscal budget in accordance with applicable laws and regulations.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fire District have been prepared in conformity with U.S. generally accepted accounting principles (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 most significant of the GASB's accounting policies are described below.

Basis of Accounting-Measurement Focus

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

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements: The Government-Wide Financial Statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

Government Funds Statements: Governmental 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. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent that 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.

Basis of Presentation

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

Governmental-Wide Financial Statements: The statement of net assets presents the financial condition of the governmental activity of the Fire District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the Fire District and for each function of the Fire District's governmental activities.

Fund Financial Statements: During the fiscal 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. The fund financial statements provide information about the Fire District's funds. Separate statements for each fund category governmental are presented.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Governmental Funds

General Fund: The general fund is the general operating fund of the Fire District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

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.

Debt Service Fund: The debt service fund is used to account for all financial resources to be used for the payment of principal and interest on lease and loan payments.

Budgetary Procedures

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 hearing 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 a 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 general purpose financial statements.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents are stated at cost which approximates market. The Fire District considers investments with maturities of three months or less to be cash equivalents.

Investments

The Fire District's investment policy principally permits the investing of funds in the following types of investments:

Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States or by any corporation chartered by the United States to the extent that such obligations are guaranteed by the United States or by another such agency and Defeasance Securities.

Negotiable or nonnegotiable certificates of deposit issued by any bank, trust company, or national banking associations which certificates of deposits shall be continuously secured by obligations described in the first paragraph above.

Deposits in the NJ Cash Management Fund and other deposits defined in the Fire District's Bond Resolution.

Fixed Assets

Fixed Assets are stated at cost.

Depreciation is determined on a straight-line basis over various economic lives, which are fixed by management.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net assets.

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.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents at December 31 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Cash - Checking	\$ 368,563	\$ 618,157
N.J. Cash Management Fund	<u>707,698</u>	<u>647,274</u>
	<u>\$1,076,261</u>	<u>\$1,265,431</u>

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 (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Fire District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2022, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(3) CASH AND CASH EQUIVALENTS (CONTINUED)

The Fire District does not have a policy to limit interest rate risk; however, its practice is to hold investments to maturity. There is also no limit to the amount that can be invested.

(4) CHANGES IN FIXED ASSETS

Activity for general fixed assets capitalized by the Fire District at December 31 is as follows:

	<u>Balance</u> <u>2021</u>	<u>Additions/</u> <u>(Deletions)</u>	<u>Balance</u> <u>2022</u>
Vehicles and Equipment	\$6,314,453	\$292,277	\$6,606,730
Less: Accumulated Depreciation:	<u>2,733,214</u>	<u>(219,900)</u>	<u>2,953,114</u>
Net Fixed Assets	<u>\$3,581,239</u>	<u>\$ 72,377</u>	<u>\$3,653,616</u>

(5) PROPERTY TAX LEVIES

Following is a 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>FISCAL</u> <u>YEAR</u>	<u>ASSESSED</u> <u>VALUATIONS</u>	<u>TOTAL</u> <u>TAX LEVY</u>	<u>PROPERTY</u> <u>TAX RATES</u>
2022	\$5,355,274,200	\$1,011,625	\$.0190
2021	\$5,296,755,963	\$993,077	\$.0190
2020	\$5,109,183,047	\$971,581	\$.0190
2019	\$5,057,316,409	\$952,501	\$.0190
2018	\$4,906,613,244	\$933,795	\$.0190

(6) RISK MANAGEMENT

The Fire 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. The Fire District maintains commercial insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the Fire District. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(7) FINANCIAL DEPENDENCY

The Fire District's largest source of operating revenue is Property Tax Levies from the Township of Bridgewater. The Fire District is economically dependent on these Levies to carry on its operations.

(8) LENGTH OF SERVICE AWARD PROGRAM

On January 18, 1998, the Emergency Services Volunteer Length of Service Award Program (LOSAP) was signed into law. LOSAP is a system established to provide tax deferred income benefits to active volunteer members of an emergency service organization, including all forms of volunteer fire and first aid rescue squads. The tax-deferred income benefits come from contributions made solely by the Fire District. The contributions are deposited into a plan similar to the deferred contribution plans permitted for county and municipal employees (N.J.S.A. 43:15B-1 et seq.).

In February 2006, voters approved the resolution to create the LOSAP for the Fire Districts members. In 2008 the New Jersey Department of Community Affairs, Division of Local Government Services had approved the program.

The LOSAP expense was \$61,820 and \$49,331 for December 31, 2022 and 2021, respectively.

(9) LEASE PURCHASE AGREEMENT

The Fire District has one lease purchase agreement for a Seagrave Fire Engine that expires June 15, 2030 and which time the Fire District has the option to exercise the purchase option for \$1.

Future minimum lease payments under this lease purchase agreement that has a remaining term in excess of one year as of December 31, 2022 are as follows:

2023	\$ 73,253
2024	73,253
2025	73,253
2026	73,253
2027	73,253
Thereafter	<u>162,312</u>
	<u>\$528,577</u>

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(10) SUBSEQUENT EVENTS

The Fire District has evaluated subsequent events occurring after the financial statement date through November 15, 2023, which is the date the financial statements were available to be issued.

(10) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Fire District may be a party to litigation. At December 31, 2022, in the opinion of management, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Fire District.

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REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

BUDGETARY COMPARISON SCHEDULE
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIABLE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Property Tax	\$ 1,011,625	\$ 1,011,625	
Fund Balance Utilized	265,000	265,000	
Interest	3,500	12,280	8,780
Penalties			
Other	2,200		(2,200)
<u>Total Revenues</u>	<u>1,282,325</u>	<u>1,288,905</u>	<u>6,580</u>
Expenditures:			
Operating Appropriations:			
Salary and Wages	15,000	15,000	
LOSAP	72,000	61,820	10,180
Annual Physicals	5,000		5,000
Professional Fees	35,000	14,300	20,700
Insurance	110,000	101,219	8,781
Administrative Expenses	6,000	21,842	(15,842)
Elections	5,000	10,020	(5,020)
Maintenance and Repairs	34,273	39,897	(5,624)
Equipment Purchases	165,000	56,807	108,193
Training and Education	5,195	10,743	(5,548)
Lease Payments	73,931	73,253	678
Contract Payments:	490,926		214
Bradley Gardens Volunteer Rescue Squad		32,912	
Country Hills Volunteer Fire Company		109,100	
Green Knoll Fire Department		239,600	
North Brance Volunteer Fire Company		109,100	
Capital Outlays:			
Capital Outlay	265,000	228,336	36,664
<u>Total Expenditures</u>	<u>\$ 1,282,325</u>	<u>1,123,949</u>	<u>158,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>\$ 164,956</u>	<u>\$ 164,956</u>

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER THREE OF THE TOWNSHIP OF BRIDGEWATER

DECEMBER 31, 2022

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

