

**PARSIPPANY - TROY HILLS
FIRE DISTRICT NO. 3**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

AND

INDEPENDENT AUDITORS' REPORT

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of Parsippany Troy Hills Fire District No. 3

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Parsippany Troy Hills Fire District No. 3 (the "District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 6 and 21 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The general information and schedule of property tax levies are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The general information and schedule of property tax levies have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2018, on our consideration of the 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 solely 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 District's internal control over financial reporting and compliance.

Friedman LLP

April 9, 2018

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Parsippany Troy Hills Fire District No. 3's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's budget increased by \$9,129 from \$417,154 in 2016 to \$426,283 in 2017. The budget increase does not exceed the statutory 2% property tax levy cap.
- In April 2017, the District made the final payment of \$259,332 to Pierce Manufacturing for the Heavy Duty Rescue Truck.
- On the statement of net position, the District's unreserved, undesignated fund balance at year end was \$281,965 and the restricted for capital projects fund balance was \$164,219.
- On the statement of activities, the District's expenses for the year totaled \$357,688.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - MD&A (this section), the basic financial statements and notes to those statements, required supplementary information, and other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are organized to first provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. This is through the government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances. These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as investment in capital assets, restricted and unrestricted. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The statement of activities presents information showing the change in net assets during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow increases or decreases in future fiscal periods.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds, General Fund, Capital Projects Fund and Debt Service Fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's total net position increased by \$69,061 between fiscal years 2017 and 2016.

	2017	2016	Increase (Decrease)	Percentage Change
Current and other assets	\$ 452,728	\$ 584,622	\$ (131,894)	-22.56%
Capital assets	3,121,806	2,917,743	204,063	6.99%
Total assets	\$ 3,574,534	\$ 3,502,365	\$ 72,169	
Current and other liabilities	\$ 6,544	\$ 3,436	\$ 3,108	90.45%
Total liabilities	\$ 6,544	\$ 3,436	\$ 3,108	
Net assets				
Invested in capital assets	\$ 3,121,806	\$ 2,917,743	\$ 204,063	6.99%
Restricted for:				
Capital projects	164,219	114,935	49,284	42.88%
Committed for equipment purchase	-	259,033	(259,033)	100.00%
Unrestricted	281,965	207,218	74,747	36.07%
Total net assets	\$ 3,567,990	\$ 3,498,929	\$ 69,061	

The District's net position are invested in capital assets - land, buildings and improvements, fire trucks, equipment, and furniture and fixtures.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities.

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Local tax levy	\$ 426,283	\$ 417,154	\$ 9,129	2.19%
Other	466	3,747	(3,281)	-87.56%
Total revenues	426,749	420,901	5,848	
Expenses				
Governmental activities	357,688	349,493	8,195	2.34%
Total expenses	357,688	349,493	8,195	
Increase in net position	\$ 69,061	\$ 71,408	\$ (2,347)	

The District's net position increased by \$69,061 and \$71,408 for the years ended December 31, 2017 and December 31, 2016, respectively. The increase in Local tax levy is directly related to the 2% annual increase in the budget. Other revenues include proceeds from hosting the County meeting and reimbursable expenses for 2017 premiums paid for workers compensation and life insurance of \$10,495.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At December 31, 2017, the District's governmental funds had a combined fund balance of \$446,184 which is a decrease of \$121,112 over the prior year. The decrease of restricted for capital projects reflects funds released for equipment purchase.

Of the total combined fund balances, the governmental fund balances at December 31, 2017, were as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Restricted for:				
Capital projects	\$ 164,219	\$ 114,935	\$ 49,284	42.88%
Committed for equipment purchase	-	259,033	(259,033)	100.00%
Unassigned	281,965	207,218	74,747	36.07%
	\$ 446,184	\$ 581,186	\$ (135,002)	

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's revenues recognized exceeded revenues budgeted by \$10,911.

The District expended all but \$186,591 or 44% of its original budget of \$426,283. The District's budget includes contingencies to supplement reserves for capital projects.

Additional information regarding budget and actual results may be found in the required supplementary information which is part of this report.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2017, the District had \$3,121,806 invested in capital assets, including land, buildings and improvements, fire trucks, equipment and furniture and fixtures. Capital assets net of depreciation at December 31, 2017 were as follows:

	2017	2016	Increase (Decrease)
Land	\$ 302,497	\$ 302,497	\$ -
Deposit on truck	-	340,000	(340,000)
Building and improvements	1,221,966	1,257,650	(35,684)
Fire trucks and vehicles	1,308,454	762,278	546,176
Machinery and Equipment	286,500	252,271	34,229
Furniture and fixtures	2,389	3,047	(658)
	<u>\$ 3,121,806</u>	<u>\$ 2,917,743</u>	<u>\$ 204,063</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The General Fund's legally adopted budget, as approved by the voters, for the year end December 31, 2018, is \$434,809. The budget is increased approximately 2% over the previous year's budget.

CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Gabe Yaccorino
Treasurer
Parsippany Troy Hills Fire District No. 3
Parsippany, NJ

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

STATEMENT OF NET POSITION

DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	\$	235,755
Investments, time deposits		142,777
Prepaid expenses and miscellaneous receivables		74,196
Capital assets, net		3,121,806
	\$	<u>3,574,534</u>

LIABILITIES

Accrued expenses	\$	6,544
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NET POSITION

Investment in capital assets		3,121,806
Restricted for		
Capital projects		164,219
Unrestricted		281,965
		<u>3,567,990</u>
	\$	<u>3,574,534</u>

See notes to financial statements.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Net (Expenses) Revenues and Change in Net Position
Functional programs expenses	
Governmental activities	
Operating	\$ (105,744)
Maintenance	(80,705)
Administration	(42,798)
Depreciation	(128,441)
	<u>(357,688)</u>
General revenues	
Local tax levy	426,283
Interest earned	416
Miscellaneous	50
	<u>426,749</u>
Change in net position	69,061
Net position, beginning of year	3,498,929
Net position, end of year	<u>\$ 3,567,990</u>

See notes to financial statements.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 214,313	\$ 21,442	\$ -	\$ 235,755
Investments, time deposits	-	142,777	-	142,777
Prepaid expenses and miscellaneous receivables	74,196	-	-	74,196
	\$ 288,509	\$ 164,219	\$ -	\$ 452,728
LIABILITIES				
Accrued expenses	\$ 6,544	\$ -	\$ -	\$ 6,544
	6,544	-	-	6,544
Fund balances				
Committed	-	164,219	-	164,219
Unassigned	281,965	-	-	281,965
	281,965	164,219	-	446,184
	\$ 288,509	\$ 164,219	\$ -	\$ 452,728

See notes to financial statements.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

Fund Balances \$ 446,184

Amounts reported for governmental activities in the statement
of net position are different because:

The cost of building and acquiring capital assets (land, buildings, and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the statement of net position includes those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	4,751,319
Accumulated depreciation	(1,629,513)
	<hr/> 3,121,806
Net position of governmental activities	<hr/> \$ 3,567,990

See notes to financial statements.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Local tax levy	\$ 426,283	\$ -	\$ -	\$ 426,283
Investment income	416	-	-	416
Miscellaneous	50	-	-	50
	426,749	-	-	426,749
Expenditures				
Operating	105,744	-	-	105,744
Maintenance	80,705	-	-	80,705
Administration	42,798	-	-	42,798
Capital outlay	-	332,504	-	332,504
	229,247	332,504	-	561,751
Revenues over (under) expenditures	197,502	(332,504)	-	(135,002)
Other financing sources and uses				
Transfers in/(out)	(122,755)	122,755	-	-
Net change in fund balances	74,747	(209,749)	-	(135,002)
Fund balances, beginning of year	207,218	373,968	-	581,186
Fund balances, end of year	\$ 281,965	\$ 164,219	\$ -	\$ 446,184

See notes to financial statements.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

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

DECEMBER 31, 2017

Net change in fund balances-total governmental funds \$ (135,002)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in
governmental funds as expenditures. However, those costs are
capitalized and shown in the Statement of Net Assets and
allocated over useful lives as annual depreciation expense in the
Statement of Activities. 332,504

Depreciation expense totals as follows:

Depreciation expense (128,441)

Change in net position of governmental activities \$ 69,061

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

1 - REPORTING ENTITY

The Board of Commissioners, Parsippany Troy Hills Fire District No. 3 (the "District") owns and manages all fire equipment and property for the Lake Parsippany Volunteer Fire Company.

The District is an instrumentality of the Township of Parsippany, State of New Jersey, established to function as a fire district. It is governed by a five member Board of Commissioners (the "Board") elected by registered voters of the District. The Board has the statutory authority to adopt and modify the budget; control all assets, including facilities and properties; authorize borrowing, or long-term debt issuances; sign contracts, and develop the programs to be provided. The responsibility and accountability over all funds and fiscal matters are vested in the Board. The District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit from nor imposes a financial burden on the District.

The District is the primary, special purpose government responsible for all fire protection within its service areas. As a result, all significant activities have been included in the government-wide financial statements. The District's financial statements represent those of a stand-alone government, as there are no component units.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governmental Wide and Fund Financial Statements

The governmental-wide financial statements report information on all of the governmental activities of the District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes and investment earnings.

The Statement of Activities presents a comparison between direct expenses of the District and program revenues. Direct expenses are those that are specifically associated with the public safety function and, therefore, are clearly identifiable to that function. Property taxes, investment earnings, and insurance refunds, are presented as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The governmental fund financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

The District reports the following major governmental funds:

- The General Fund is the primary operating fund of the District. It accounts for all financial resources of the District, except those required to be accounted for in another fund, either legally or by Board direction. The principal revenue source is property taxes. Primary expenditures are for public safety.
- The Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of major capital assets. The principal revenue source is property taxes, while primary expenditures are for capital outlay.
- The General Obligation Debt Service Fund accounts for repayment of general obligation debt. The principal revenue source is property taxes, while primary expenditures are for principal and interest debt service payments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Investments and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less when purchased.

Capital Assets

Capital assets are reflected in the government-wide financial statements. Capital assets are stated at cost or estimated historical cost. Donated assets are reported at fair market value at the date of donation.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of fixed assets are included in operations.

Depreciation is computed on assets in service on a straight-line basis over their estimated useful lives. Capitalization thresholds, the dollar value below which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 5,000	20-50 years
Equipment	1,000	10-20 years
Furniture and fixtures	1,000	7-10 years
Fire trucks	5,000	25 years

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements, all accrued liabilities and long-term liabilities are reported on the Statement of Net Position. In the fund financial statements, long-term liabilities are not reported.

Net Position

Net position represents the difference between assets, liabilities and deferred outflows and inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is divided into two classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those accounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Unassigned - The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Budgetary Information

The District budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified accrual basis of accounting. The Board adopts the original budget by resolution prior to the beginning of the fiscal year of the District. Budgeted expenditures lapse at year-end and may not be carried over to subsequent years.

Inter-Fund Transfers

The operations of the District give rise to certain transactions between funds, including transfers to provide services and construct assets.

Effect of New Governmental Accounting Standards Board Pronouncements

The District has concluded that the adoption of GASB Statements No. 80, *Blending Requirements for Certain Component Units*; No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*; No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 85, *Omnibus 2017*; No. 86, *Certain Debt Extinguishment Issues*; No. 87, *Leases*; will have no impact on its financial position, results from operations and cash flows.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

These financial statements were approved by management and available for issuance on April 9, 2018. Management has evaluated subsequent events through this date.

3 - CASH EQUIVALENTS AND INVESTMENTS

The District's investment policies are governed by state statutes. New Jersey statutes require that district's deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation ("FDIC") or by any other agency of the United States that insures deposits made in public depositories.

GASB Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the District's custodial bank trust department or agent in the District's name. Category 2 includes uninsured and unregistered deposits/investments held by the District's custodial bank trust department or agent in the District's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the District's custodial bank trust department or agent, but not in the District's name.

These categories are not broad representations that deposits or investments are "safe or "unsafe".

Cash balances in banks and other financial institutions are insured by the FDIC subject to certain limitations. The bank balance and time deposits covered by FDIC would be considered Category 1 funds.

Investments are stated at cost which approximates market. The District classifies certificates of deposit and securities which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

New Jersey statutes permit the District to purchase the following types of securities:

- a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c) Bonds or other obligations of the District.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

3 - CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 1, time deposits consist of Fulton Bank certificates of deposit at December 31, 2017 totaling \$142,777.

4 - CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2017 were as follows:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
Non-depreciable				
Land	\$ 302,497	\$ -	\$ -	\$ 302,497
Deposit on truck	340,000	-	340,000	-
Total non-depreciable	642,497	-	340,000	302,497
Depreciable				
Building and improvements	1,771,033	-	-	1,771,033
Fire trucks and vehicles	1,456,260	611,546	25,000	2,042,806
Machinery and equipment	540,344	60,958	-	601,302
Furniture and fixtures	33,681	-	-	33,681
Total depreciable	3,801,318	672,504	25,000	4,448,822
Accumulated depreciation				
Building and improvements	513,383	35,684	-	549,067
Fire trucks and vehicles	693,982	65,370	25,000	734,352
Machinery and equipment	288,073	26,729	-	314,802
Furniture and fixtures	30,634	658	-	31,292
Total accumulated depreciation	1,526,072	128,441	25,000	1,629,513
Total capital assets being depreciated	2,275,246	544,063	-	2,819,309
Capital assets, net	\$ 2,917,743	544,063	\$ 340,000	\$ 3,121,806

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

5 - RELATED PARTY TRANSACTIONS

The District executed a lease in 2002 with the Lake Parsippany Volunteer Fire Company ("Company") to lease the second floor of the fire house for an annual rental of (\$1.00) one dollar. The lease does not expire as long as the Company remains in existence.

6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to volunteer firemen, and natural disasters. The District carries commercial insurance for all such risks of loss.

7 - SUBSEQUENT EVENT

The annual election of the fire commissioners was held February 17, 2018. Three of the commissioners on the board as of December 31, 2017, Robert Yeager, Clarence Ricker and John Butkus; were not re-elected. The new fire commissioners are Jennifer Sikura, Matt Topolewski and Arden Birth.

REQUIRED SUPPLEMENTARY INFORMATION

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED DECEMBER 31, 2017

	Unaudited Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenue				
Local tax levy	\$ 426,283	\$ 426,283	\$ 426,283	\$ -
Investment income	-	-	416	416
Miscellaneous	-	-	50	50
	<u>426,283</u>	<u>426,283</u>	<u>426,749</u>	<u>466</u>
Expenditures				
Operating				
Promotion	13,984	13,984	16,335	2,351
Elections	6,630	6,630	2,315	(4,315)
Training, medical, uniforms, bank fees, outside service, utilities	79,713	79,713	16,660	(63,053)
Insurance	76,500	76,500	68,585	(7,915)
Expendable equipment	52,911	52,911	-	(52,911)
Contingencies	61,869	61,869	-	(61,869)
Maintenance				
Maintenance and repairs	57,120	57,120	44,214	(12,906)
Building maintenance and repairs	21,660	21,660	36,491	14,831
Administration				
Advertising	3,060	3,060	679	(2,381)
Membership dues	1,530	1,530	-	(1,530)
Outside services and supplies	-	-	7,974	7,974
Office expense	8,160	8,160	10,626	2,466
Professional fees	39,066	39,066	17,994	(21,072)
Travel	4,080	4,080	7,374	3,294
	<u>426,283</u>	<u>426,283</u>	<u>229,247</u>	<u>(197,036)</u>
Revenue over expenditures	\$ -	\$ -	\$ 197,502	\$ 197,502
Less - Depreciation			(128,441)	
Net change in fund balance per Statement of Activities			\$ 69,061	

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' 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

To the Board of Commissioners
of Parsippany Troy Hills Fire District No. 3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Parsippany Troy Hills Fire District No. 3 ("District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Friedman LLP

East Hanover, NJ
April 9, 2018

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Parsippany Troy Hills Fire District No. 3, (the "District").
2. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
3. The District was not subject to the single audit provisions of Uniform Guidance and State Circular 98-07-OMB for 2017 as grant expenditures were less than the single audit thresholds identified in the circulars for the year ended December 31, 2017.

See independent auditors' report.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017

There were no audit findings that were required to be reported in accordance with *Government Auditing Standards*.

See independent auditors' report.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

GENERAL INFORMATION

DECEMBER 31, 2017

	Amount of Surety Bond
<hr/>	
Board of Commissioners	
Robert Yeager, President	\$ 1,200,000
Clarence Ricker, Vice-President	\$ 1,200,000
Gabriel A. Yaccorino, Treasurer	\$ 1,500,000
John Butkus, Clerk	\$ 1,200,000
Darryl Jenkins, Secretary	\$ 1,200,000
Surety Company	
American Alternative Insurance Corporation	

See independent auditors' report.

PARSIPPANY TROY HILLS FIRE DISTRICT NO. 3

SCHEDULE OF PROPERTY TAX LEVIES

DECEMBER 31, 2017

Property Tax Levies

The following is a tabulation of the District's assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

Fiscal Year	Assessed Valuation	Total Tax Levy	Property Tax Rates
2017	\$ 847,034,387	\$ 426,283	0.0503/100
2016	698,073,533	417,154	0.0598/100
2015	696,767,868	381,280	0.0547/100
2014	694,410,600	381,280	0.0549/100
2013	692,827,000	381,280	0.0550/100

See independent auditors' report.