

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1**

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report on Basic Financial Statements	1-3
REQUIRED SUPPLEMENTARY INFORMATION – PART I	
Management's Discussion and Analysis (Unaudited)	5-10
BASIC FINANCIAL STATEMENTS	
A. District – wide Financial Statements:	
A-1 Statement of Net Position	13
A-2 Statement of Activities	14
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	17
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	18
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	21
B-8 Statement of Changes in Fiduciary Net Position	22
NOTES TO BASIC FINANCIAL STATEMENTS	24-40
STATISTICAL INFORMATION	42
ROSTER OF OFFICIALS	44

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

TABLE OF CONTENTS
CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION – PART II	
C. Budgetary Comparison Schedules:	
C-1 Combined Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual – General Fund	47-49
Schedule of the Fire District’s Share of Net Pension Liability-PERS	50
Schedule of the Fire District’s Contributions-PERS	51
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	
Notes to Required Supplementary Information-PERS	53
OTHER SUPPLEMENTARY INFORMATION	
D. Capital Projects Fund:	
D-1 Schedule of Revenues, Expenditures and Changes in Fund Balances	56
E. Agency Funds	
E-1 Schedule of Receipts and Disbursements	58
REPORTS PURSUANT TO GOVERNMENT AUDITING STANDARDS	
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”	60-61
GENERAL COMMENTS AND RECOMMENDATIONS	63-64

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkocz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, N.J. 07442
973 835-7900
Fax 973 835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973 579-3212
Fax 973 579-7128

Vincent M. Montanino, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Fire Commissioners
Township of Montville Fire District Number 1
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the aggregate remaining fund information of the Township of Montville Fire District Number 1 as of and for the year ended December 31, 2016, 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 basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that the audit evidence obtained is sufficient to provide a reasonable basis for our opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Montville Fire District Number 1 as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, schedule of the District's proportionate share of the net pension liability-PERS and schedule of the Authority's contributions-PERS, as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison information on schedule C-1 is not a required part of the basic financial statements but is supplementary information required by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 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.

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Township of Montville Fire District Number 1 that collectively comprise their financial statements. The accompanying supplementary information listed in the table of contents including statistical information and the letter of comments and recommendations section are presented for purposes of additional analysis, as required by the Division of Local Government Services and are not a required part of the financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated May 22, 2017 on our consideration of the Township of Montville Fire District Number 1'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.

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.

Certified Public Accountants

Newton, New Jersey

May 22, 2017



**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2016
(UNAUDITED)

Our discussion and analysis of the Township of Montville Fire District Number 1's financial activities for the year ended December 31, 2016. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's net position increased \$79,675.12 as a result of this year's operations or 2.04 percent.
- Total cost of all of the District's programs was \$496,686.82 in 2016 compared to \$496,724.79 in 2015.
- During the year, the District had expenses for governmental activities that were \$79,675.12 less than the \$576,361.94 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 Montville
Fire District Number 1
Fund Financial Statements
(Figure A-1)**

Scope	Government wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as food service and student activities	Instances in which the District is the trustee or agent for someone else's resources, such as payroll agency and student activities.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred inflows/outflows 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.	All assets and liabilities, both short-term and long- term.
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.	All revenues and expenses during the year, regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position changed from a year ago, increasing from \$3,896,682.80 to \$3,976,357.92. Looking at the net position and net expenses of governmental activities, different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net position (Table 2) of the District's governmental activities as of December 31.

Table 1
Net Position

	Governmental Activities		Total Primary Government	
	2016	2015	2016	2015
Current and Other Assets	\$ 2,594,889.23	\$ 2,343,659.29	\$ 2,594,889.23	\$ 2,343,659.29
Capital Assets	1,484,782.69	1,648,020.51	1,484,782.69	1,648,020.51
Total Assets	<u>4,079,671.92</u>	<u>3,991,679.80</u>	<u>4,079,671.92</u>	<u>3,991,679.80</u>
Deferred Outflows	<u>41,152.00</u>	<u>44,765.00</u>	<u>41,152.00</u>	<u>44,765.00</u>
Net Pension Liability	92,980.00	137,550.00	92,980.00	137,550.00
Accounts Payable-Pension	<u>2,789.00</u>	<u>-</u>	<u>2,789.00</u>	<u>-</u>
Total liabilities	<u>95,769.00</u>	<u>137,550.00</u>	<u>95,769.00</u>	<u>137,550.00</u>
Deferred Inflows	<u>48,697.00</u>	<u>2,212.00</u>	<u>48,697.00</u>	<u>2,212.00</u>
Net Position:				
Net Investment in Capital Assets	1,484,782.69	1,648,020.51	1,484,782.69	1,648,020.51
Restricted	1,250,607.50	1,250,607.50	1,250,607.50	1,250,607.50
Unrestricted	<u>1,240,967.73</u>	<u>998,054.79</u>	<u>1,240,967.73</u>	<u>998,054.79</u>
Total Net Position	<u>\$ 3,976,357.92</u>	<u>\$ 3,896,682.80</u>	<u>\$ 3,976,357.92</u>	<u>\$ 3,896,682.80</u>

- Net position of the District's governmental activities increased \$79,675.12 or 2.04 percent.
- Unrestricted 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 \$242,912.94 or 24.34%.
- Restricted net position remained the same.
- The net investment in capital assets decreased \$163,237.82.

Table 2
Changes in Net Position

	<u>Governmental</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Revenues</u>				
Program revenues:				
Operating Grants and Contributions	\$ 45,304.00	\$ 61,102.94	\$ 45,304.00	\$ 61,102.94
General revenues:				
Property Taxes	522,215.00	523,800.00	522,215.00	523,800.00
State Aid	1,691.30	-	1,691.30	-
Interest and Investment Earnings	7,113.24	8,785.51	7,113.24	8,785.51
Miscellaneous Income	38.40	294.80	38.40	294.80
Total Revenues	<u>576,361.94</u>	<u>593,983.25</u>	<u>576,361.94</u>	<u>593,983.25</u>
<u>Program expenses including indirect expenses</u>				
Administration:				
Salaries	23,520.00	19,620.20	23,520.00	19,620.20
Fringe Benefits	2,131.00	1,768.66	2,131.00	1,768.66
Other Expenses	9,589.00	9,244.63	9,589.00	9,244.63
Cost of Providing Services:				
Fringe Benefits	47,945.00	39,721.49	47,945.00	39,721.49
Other Expenses	368,197.82	377,445.99	368,197.82	377,445.99
Uniform Fire Safety Act:				
Salaries	30,919.00	24,135.00	30,919.00	24,135.00
Clerk	4,800.00	5,244.31	4,800.00	5,244.31
Fringe Benefits	5,671.00	7,425.69	5,671.00	7,425.69
Other Expenses	3,914.00	12,118.82	3,914.00	12,118.82
Total Expenses	<u>496,686.82</u>	<u>496,724.79</u>	<u>496,686.82</u>	<u>496,724.79</u>
Increase in Net Position	<u>\$ 79,675.12</u>	<u>\$ 97,258.46</u>	<u>\$ 79,675.12</u>	<u>\$ 97,258.46</u>

THE DISTRICT'S FUNDS

Governmental Activities

Table 3

Information below compares revenues and expenditures for all governmental fund types for 2016 and 2015.

<u>Revenues by Source:</u>	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Local Sources:			
Local Tax Levy	\$ 522,215.00	\$ 523,800.00	-0.30%
Interest on Investments	7,113.24	8,785.51	-19.03%
Miscellaneous	<u>38.40</u>	<u>294.80</u>	-86.97%
Total - Local Sources	529,366.64	532,880.31	-0.66%
State Sources	<u>46,995.30</u>	<u>61,102.94</u>	-23.09%
Total Revenues	<u>\$ 576,361.94</u>	<u>\$ 593,983.25</u>	-2.97%

<u>Expenditures by Function:</u>	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Administration:			
Salaries	\$ 23,520.00	\$ 19,620.20	19.88%
Fringe Benefits	2,131.00	1,768.66	20.49%
Other Expenses	9,589.00	9,244.63	3.73%
Cost of Providing Services:			
Fringe Benefits	42,417.00	36,405.49	16.51%
Other Expenses	184,546.00	250,693.51	-26.39%
Uniform Fire Safety Act:			
Salaries	30,919.00	24,135.00	28.11%
Clerk	4,800.00	5,244.31	-8.47%
Fringe Benefits	5,671.00	7,425.69	-23.63%
Other Expenses	3,914.00	12,118.82	-67.70%
Capital Outlay	<u>20,414.00</u>	<u>10,921.55</u>	86.91%
Total Expenditures	<u>\$ 327,921.00</u>	<u>\$ 377,577.86</u>	-13.15%

CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets
Table 4**

Net Investment in Capital Assets at Year-end

	Governmental Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Buildings and Improvements	\$ 1,406,056.50	\$ 1,406,056.50	\$ 1,406,056.50	\$ 1,406,056.50
Machinery and Equipment	<u>2,797,010.36</u>	<u>2,776,596.36</u>	<u>2,797,010.36</u>	<u>2,776,596.36</u>
Subtotal	4,203,066.86	4,182,652.86	4,203,066.86	4,182,652.86
Accumulated Depreciation	<u>(2,718,284.17)</u>	<u>(2,534,632.35)</u>	<u>(2,718,284.17)</u>	<u>(2,534,632.35)</u>
Totals	<u>\$ 1,484,782.69</u>	<u>\$ 1,648,020.51</u>	<u>\$ 1,484,782.69</u>	<u>\$ 1,648,020.51</u>

The District's 2017 capital budget anticipates spending \$100,000.00 for future capital projects. More detailed information about the District capital assets is presented in the notes to the basic financial statements

BUDGETS

There were no significant variances between the originally adopted budget and final budget for the year 2016. For more detailed information refer to Exhibit C-1.

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 Montville Fire District Number 1, P.O. Box 504, Montville, New Jersey 07045.

BASIC FINANCIAL STATEMENTS

SECTION A
DISTRICT – WIDE FINANCIAL STATEMENTS

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
STATEMENT OF NET POSITION
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,344,281.73
Restricted Assets:	
Cash and Cash Equivalents	1,250,607.50
Capital Assets, Net	<u>1,484,782.69</u>
Total Assets	<u>4,079,671.92</u>
 DEFERRED OUTFLOWS	
Pension Deferred Outflows	<u>41,152.00</u>
 LIABILITIES	
Net Pension Liability	92,980.00
Accounts Payable-Pension	<u>2,789.00</u>
Total Liabilities	<u>95,769.00</u>
 DEFERRED INFLOWS	
Pension Deferred Inflows	<u>48,697.00</u>
 NET POSITION	
Net Investment in Capital Assets	1,484,782.69
Restricted / Assigned for:	
Capital Projects	1,250,607.50
Unrestricted/Unassigned	<u>1,240,967.73</u>
Total Net Position	<u>\$ 3,976,357.92</u>

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

TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 STATEMENT OF ACTIVITIES
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Expenses</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	\$ 23,520.00	\$ -	\$ -	\$ (23,520.00)
Fringe Benefits	2,131.00			(2,131.00)
Other Expenses	9,589.00			(9,589.00)
Cost of Providing Services:				
Fringe Benefits	47,945.00			(47,945.00)
Other Expenses	368,197.82			(368,197.82)
Uniform Fire Safety Act:				
Salaries	30,919.00			-
Clerk	4,800.00			-
Fringe Benefits	5,671.00			-
Other Expenses	3,914.00			-
Total Governmental Activities	<u>496,686.82</u>	<u>-</u>	<u>-</u>	<u>(451,382.82)</u>
Total Primary Government	\$ 496,686.82	\$ 45,304.00	\$ -	\$ (451,382.82)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			\$ 522,215.00	\$ 522,215.00
Federal and State Aid Not Restricted			1,691.30	1,691.30
Investment Earnings			7,113.24	7,113.24
Miscellaneous Income			38.40	38.40
Total General Revenues			<u>531,057.94</u>	<u>531,057.94</u>
Change in Net Position			79,675.12	79,675.12
Net Position—Beginning			3,896,682.80	3,896,682.80
Net Position—Ending			<u>\$ 3,976,357.92</u>	<u>\$ 3,976,357.92</u>

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

SECTION B
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 777,794.42	\$ 566,487.31	\$ 1,344,281.73
Restricted Assets:			
Cash and Cash Equivalents	<u>-</u>	<u>1,250,607.50</u>	<u>1,250,607.50</u>
Total Assets	<u>\$ 777,794.42</u>	<u>\$ 1,817,094.81</u>	<u>\$ 2,594,889.23</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable-Pension	\$ 2,789.00	<u>-</u>	<u>\$ 2,789.00</u>
Total Liabilities	<u>2,789.00</u>	<u>-</u>	<u>2,789.00</u>
FUND BALANCES:			
Restricted / Assigned for:			
Capital Projects		1,250,607.50	1,250,607.50
Unrestricted / Unassigned, reported in:			
General Fund	775,005.42		775,005.42
Capital Projects Fund	<u>-</u>	<u>566,487.31</u>	<u>566,487.31</u>
Total Fund Balances	<u>775,005.42</u>	<u>1,817,094.81</u>	<u>2,592,100.23</u>
Total Liabilities and Fund Balances	<u>\$ 777,794.42</u>	<u>\$ 1,817,094.81</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 \$4,203,066.86 and the accumulated depreciation is \$2,718,284.17.

\$ 1,484,782.69

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and are not reported in the fund statements.

41,152.00

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements.

(48,697.00)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note IV:B.)

(92,980.00)

Net position of governmental activities

\$ 3,976,357.92

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

TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources:			
Local Tax Levy	\$ 522,215.00	\$ -	\$ 522,215.00
Interest Earned on Investments	113.84	6,999.40	7,113.24
Miscellaneous	38.40	-	38.40
Total - Local Sources	<u>522,367.24</u>	<u>6,999.40</u>	<u>529,366.64</u>
State Sources	<u>46,995.30</u>	<u>-</u>	<u>46,995.30</u>
Total Revenues	<u>569,362.54</u>	<u>6,999.40</u>	<u>576,361.94</u>
EXPENDITURES			
Current:			
Administration:			
Salaries	23,520.00		23,520.00
Fringe Benefits	2,131.00		2,131.00
Other Expenses	9,589.00		9,589.00
Cost of Providing Services:			
Fringe Benefits	42,417.00		42,417.00
Other Expenses	184,546.00		184,546.00
Uniform Fire Safety Act:			
Salaries	30,919.00		30,919.00
Clerk	4,800.00		4,800.00
Fringe Benefits	5,671.00		5,671.00
Other Expenses	3,914.00		3,914.00
Capital Outlay	<u>20,414.00</u>	<u>-</u>	<u>20,414.00</u>
Total Expenditures	<u>327,921.00</u>	<u>-</u>	<u>327,921.00</u>
Excess (Deficiency) of Revenues over Expenditures	<u>241,441.54</u>	<u>6,999.40</u>	<u>248,440.94</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers In	-	109,900.00	109,900.00
Transfers (Out)	<u>(109,900.00)</u>	<u>-</u>	<u>(109,900.00)</u>
Total Other Financing Sources and (Uses)	<u>(109,900.00)</u>	<u>109,900.00</u>	<u>-</u>
Net Change in Fund Balances	131,541.54	116,899.40	248,440.94
Fund Balance—January 1	<u>643,463.88</u>	<u>1,700,195.41</u>	<u>2,343,659.29</u>
Fund Balance—December 31	<u>\$ 775,005.42</u>	<u>\$ 1,817,094.81</u>	<u>\$ 2,592,100.23</u>

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

TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 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, 2016

Total net change in fund balances - governmental funds (from B-2) \$ 248,440.94

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	\$ (183,651.82)	
	Capital outlays	<u>20,414.00</u>	(163,237.82)

Pension contributions are reported in governmental funds as expenditures. However in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns and experience or assumptions.

This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

(5,528.00)

Change in net position of governmental activities

 -
\$ 79,675.12

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

FIDUCIARY FUNDS

TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016

	Fire Prevention <u>Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 16,818.89
Total Assets	<u>\$ 16,818.89</u>
NET POSITION	
Reserved for Fire Prevention	<u>\$ 16,818.89</u>

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

TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016

	<u>Fire Prevention Fund</u>
ADDITIONS	
Deposits:	
Income from Inspections	\$ 11,656.00
Permits and Fees	5,414.00
State LEA Rebate	9,075.89
Registrations	<u>16,590.00</u>
Total Deposits	<u>42,735.89</u>
Total Additions	<u>42,735.89</u>
 DEDUCTIONS	
Transfer to General Fund	<u>45,304.00</u>
Total Deductions	<u>45,304.00</u>
Change in Net Position	<u>(2,568.11)</u>
Net Position—Beginning	<u>19,387.00</u>
Net Position—Ending	<u>\$ 16,818.89</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Fire District (Board) of the Township of Montville Fire District Number 1 (“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 Montville Fire District Number 1’s 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 fire houses located in the Township of Montville. 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.

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.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

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. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay sub fund.

Generally accepted accounting principles 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.

THIS SPACE INTENTIONALLY LEFT BLANK

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund 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 assets 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.

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 net position at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents includes 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. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

3. Inventories

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

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 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

Land and Construction in Progress are not depreciated.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Capital Assets (Continued)

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, parking lots, underground pipe, etc.. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District has included all infrastructure assets in the current fiscal year

5. 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.

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. The items where estimates would occur are for depreciation of capital assets and their useful lives.

7. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

8. Net Position/Fund Balance

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements

GASB 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify- in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB 82, "Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, will be effective for entities with fiscal years beginning after June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to the aforementioned Statements and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB 83, "Certain Asset Retirement Obligations" will be effective for reporting periods beginning after June 15, 2018 and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. The District does not believe this Statement will have any effect on future financial statements.

GASB 84, "Fiduciary Activities" will be effective for reporting periods beginning after December 15, 2018 and establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The District does not believe this Statement will have any effect on future financial statements.

GASB 85, "Omnibus 2017" will be effective for reporting periods beginning after June 15, 2017 and addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note II: 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, 2016 the District's cash and cash equivalents amounted to \$2,616,986.72. Of this amount, \$1,841,497.29 was covered by federal depository insurance (F.D.I.C.) and \$775,489.43 was covered by a collateral pool maintained by the banks as required by GUDPA.

At December 31, 2016, 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, 2016 none of the District's cash and cash equivalents of \$2,616,986.72 was exposed to custodial credit risk.

At December 31, 2016 the District's book balance was \$2,611,708.12 with the difference of \$5,278.60 being outstanding checks.

THIS SPACE INTENTIONALLY LEFT BLANK

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 40A:5-15.1) permit the Township 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 the 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 as described in Note I:G.1 at December 31, 2016.

THIS SPACE INTENTIONALLY LEFT BLANK

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

B. Interfund Receivables and Payables

The district had no interfund receivables or payables as of December 31, 2016.

C. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Governmental Activities:				
Buildings and Improvements	\$ 1,406,056.50	\$ -	\$ -	\$ 1,406,056.50
Machinery and Equipment	<u>2,776,596.36</u>	<u>20,414.00</u>	<u>-</u>	<u>2,797,010.36</u>
Totals at Historical Cost	<u>4,182,652.86</u>	<u>20,414.00</u>	<u>-</u>	<u>4,203,066.86</u>
Less Accumulated Depreciation for:				
Land Improvements				-
Buildings and Improvements	(856,473.21)	(46,451.67)		(902,924.88)
Machinery and Equipment	<u>(1,678,159.14)</u>	<u>(137,200.15)</u>	<u>-</u>	<u>(1,815,359.29)</u>
Total Accumulated Depreciation	<u>(2,534,632.35)</u>	<u>(183,651.82)</u>	(1) <u>-</u>	<u>(2,718,284.17)</u>
Net Capital Assets being Depreciated	<u>1,648,020.51</u>	<u>(163,237.82)</u>	<u>-</u>	<u>1,484,782.69</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,648,020.51</u>	<u>\$ (163,237.82)</u>	<u>\$ -</u>	<u>\$ 1,484,782.69</u>

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

Cost of Providing Services	<u>\$ 183,651.82</u>
	<u>\$ 183,651.82</u>

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note III: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

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

B. Long - Term Liabilities

Long - Term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Net Pension Liability	\$ 137,550.00	\$ -	\$ (44,570.00)	\$ 92,980.00	\$ -
Total Other Liabilities	<u>137,550.00</u>	<u>-</u>	<u>(44,570.00)</u>	<u>92,980.00</u>	<u>-</u>
Governmental Activities					
Long - Term Liabilities	<u>\$ 137,550.00</u>	<u>\$ -</u>	<u>\$ (44,570.00)</u>	<u>\$ 92,980.00</u>	<u>\$ -</u>

THIS SPACE INTENTIONALLY LEFT BLANK

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note IV: Pension Plans

Description of Systems

Substantially all of the District's employees participate in the following contributory defined benefit public employee retirement system which has been established by State statute: the Public Employees' Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The PERS is considered a cost sharing multiple-employer defined benefit plan.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Summary of Significant Accounting Policies-

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

THIS SPACE INTENTIONALLY LEFT BLANK

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note IV: Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported a liability of \$92,980 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Fire District's long term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportion was 0.0003139402%, which was a decrease of 0.0002990598% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the District recognized pension expense of \$8,877. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 1,729.00	
Changes of Assumptions	\$19,261.00	
Net difference between Projected and Actual Earnings on Pension Plan Investments	\$ 3,545.00	
Changes in proportion and differences between District Contributions and Proportionate Share of Contributions	<u>\$16,617.00</u>	<u>\$48,697.00</u>
	<u>\$ 41,152.00</u>	<u>\$48,697.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date (i.e. for the calendar year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net position liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2017	\$4,725.71
2018	4,725.71
2019	5,474.89
2020	4,599.71
2021	<u>1,463.98</u>
Total	<u>\$20,990.00</u>

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note IV: Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts respectively.

	<u>6/30/16</u>	<u>6/30/15</u>
Collective Deferred Outflows of Resources	\$8,685,338,380.00	\$ 3,578,755,666.00
Collective Deferred Inflows of Resources	870,133,595.00	993,410,455.00
Collective Net Pension Liability (Non-State-Local Group)	29,617,131,759.00	22,447,996,119.00
Fire District's Portion of Net Pension Liability	92,980.00	137,550.00
Fire District's Proportion %	0.0003139402%	0.0006127492%

Actuarial Assumptions

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases:	
2012-2021	1.65%-4.15% based on age
Thereafter	2.65%-5.15% based on age
Investment Rate of Return	7.65%

Mortality Rates

Pre-mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note IV: Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is unlikely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note IV: Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Fire District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Fire District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Fire District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Fire District's proportionate share of the net pension liability	\$113,936	\$92,980	\$75,679

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

During the year ended June 30, 2016, for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note IV: Pension Plans (Continued)

Significant Legislation

PERS employee contribution rates will increase from 5.5% to 6.5% of salary effective October 2011. The second phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018.

Under a provision of Chapter 78, P.L. 2011, Cost of Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. There is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

Contribution Requirements – Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 6.50 percent for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2016, for PERS, the annual pension cost equals the annual required contribution made.

Contributions – Actual

The District's total payroll for the year ended December 31, 2016 was \$49,155.33 and covered payroll was \$27,000.00 for PERS. Contributions to the PERS for the year ended December 31, 2016 made by the employees, and the District were as follows:

		<u>PERS</u>	Percent of Covered <u>Payroll</u>
Employees	12/31/14	4,763.82	10.95%
	12/31/15	1,909.74	8.04%
	12/31/16	1,926.36	7.13%
Fire District	12/31/14	3,778.00	8.69%
	12/31/15	5,039.00	21.15%
	12/31/16	5,268.00	19.51%

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note V: Post Retirement Medical Benefits

P.L. 1997, C.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80% of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge.

PERS employees do not receive post-retirement medical benefits.

Note VI: 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 May 22, 2017.

STATISTICAL INFORMATION

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

STATISTICAL INFORMATION

Following is a tabulation of district assessed valuation, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding ten years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rate</u>
2016	\$ 1,534,849,600	\$ 522,215.00	0.034
2015	1,535,931,800	523,800.00	0.035
2014	1,535,650,600	565,400.00	0.037
2013	1,528,125,900	570,600.00	0.038
2012	1,540,209,700 (1)	567,480.00	0.037
2011	965,681,400	567,480.00	0.058
2010	965,578,000	563,850.00	0.059
2009	962,593,800	553,200.00	0.058
2008	952,920,600	553,200.00	0.058
2007	941,326,000	542,200.00	0.058

(1) Revaluation Year

Unreserved Fund Balance:

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilized In Budget of Succeeding Year</u>
December 31, 2016	\$ 1,240,967.73	\$ -
December 31, 2015	1,112,438.79	-
December 31, 2014	896,033.40	-
December 31, 2013	727,706.08	-
December 31, 2012	738,550.20	330,000.00
December 31, 2011	469,744.14	-
December 31, 2010	431,813.63	200,000.00
December 31, 2009	547,358.62	360,000.00
December 31, 2008	664,458.01	440,000.00
December 31, 2007	157,342.13	100,000.00

ROSTER OF OFFICIALS

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1

ROSTER OF OFFICIALS

Board of Commissioners

James Berry	Commissioner (Chairman)
Carl Lewis	Commissioner (Vice-Chairman/Secretary)
Michael Caggiano	Commissioner (Treasurer) (1)
Robert Cook	Commissioner
Robert Purnell	Commissioner

Other Officials

Denise Phostole	District Clerk
Joseph Serrecchia	Fire Official

Surety Company

(1) Policy issued by Selected Risks Insurance Company expiring January 1, 2016 for \$50,000.00 was examined and was properly executed.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

SECTION C
BUDGETARY COMPARISON SCHEDULES

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016**

	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	\$ 522,215.00	\$ -	\$ 522,215.00	\$ 522,215.00	\$ -
Interest on Investments	3,765.00	-	3,765.00	113.84	(3,651.16)
Miscellaneous	-	-	-	38.40	38.40
Total Revenues - Local Sources	<u>525,980.00</u>	<u>-</u>	<u>525,980.00</u>	<u>522,367.24</u>	<u>(3,612.76)</u>
State Sources:					
Uniform Fire Safety Act	40,600.00	-	40,600.00	45,304.00	4,704.00
Supplemental Fire Services Program	-	-	-	1,691.30	1,691.30
Total State Sources	<u>40,600.00</u>	<u>-</u>	<u>40,600.00</u>	<u>46,995.30</u>	<u>6,395.30</u>
Total Revenues	<u>566,580.00</u>	<u>-</u>	<u>566,580.00</u>	<u>569,362.54</u>	<u>2,782.54</u>
EXPENDITURES:					
Current Expense:					
Administration:					
Salaries and Wages	24,300.00	-	24,300.00	23,520.00	780.00
Employee Benefits	2,100.00	-	2,100.00	2,131.00	(31.00)
Other Expenses:					
Advertising	700.00	-	700.00	448.00	252.00
Elections	600.00	-	600.00	250.00	350.00
Miscellaneous	700.00	-	700.00	726.00	(26.00)
Office Services	1,500.00	-	1,500.00	339.00	1,161.00
Payroll Services	1,500.00	-	1,500.00	1,421.00	79.00
Professional Services	7,500.00	-	7,500.00	6,405.00	1,095.00
Total Administration Other Expenses	<u>12,500.00</u>	<u>-</u>	<u>12,500.00</u>	<u>9,589.00</u>	<u>2,911.00</u>
Total Administration Expenses	<u>38,900.00</u>	<u>-</u>	<u>38,900.00</u>	<u>35,240.00</u>	<u>3,660.00</u>

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016
(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:					
Employee Benefits	\$ 39,000.00	\$ 3,000.00	\$ 42,000.00	\$ 42,417.00	\$ (417.00)
Other Expenses:					
LOSAP	25,000.00	(3,000.00)	22,000.00	16,586.00	5,414.00
Memberships, Dues and Subscriptions	500.00	-	500.00	176.00	324.00
Insurance Premiums	25,000.00	-	25,000.00	23,705.00	1,295.00
Maintenance and Repair	97,000.00	-	97,000.00	68,102.00	28,898.00
Physicals	3,000.00	-	3,000.00	1,925.00	1,075.00
Office Services	2,000.00	-	2,000.00	655.00	1,345.00
Professional Services	4,000.00	-	4,000.00	68.00	3,932.00
Purchase of Assets	94,000.00	-	94,000.00	27,779.00	66,221.00
Operating Materials and Supplies	8,000.00	-	8,000.00	4,330.00	3,670.00
Training and Education	8,000.00	-	8,000.00	2,390.00	5,610.00
Travel Expenses	700.00	-	700.00	-	700.00
Uniforms and Personal Equipment	32,000.00	-	32,000.00	28,505.00	3,495.00
Utilities and Related Services	38,980.00	-	38,980.00	30,739.00	8,241.00
Total Cost of Providing Services Other Expenses	<u>338,180.00</u>	<u>(3,000.00)</u>	<u>335,180.00</u>	<u>204,960.00</u>	<u>130,220.00</u>
Total Cost of Providing Services	<u>377,180.00</u>	<u>-</u>	<u>377,180.00</u>	<u>247,377.00</u>	<u>129,803.00</u>

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016
(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):					
Uniform Fire Safety Act:					
Salaries and Wages:					
Fire Fighter/Official	\$ 24,100.00	\$ -	\$ 24,100.00	\$ 30,919.00	\$ (6,819.00)
Clerk	4,800.00	-	4,800.00	4,800.00	-
Fringe Benefits	5,680.00	-	5,680.00	5,671.00	9.00
Other Expenses	<u>6,020.00</u>	<u>-</u>	<u>6,020.00</u>	<u>3,914.00</u>	<u>2,106.00</u>
Total Uniform Fire Safety Act	<u>40,600.00</u>	<u>-</u>	<u>40,600.00</u>	<u>45,304.00</u>	<u>(4,704.00)</u>
Total Current Expense	<u>456,680.00</u>	<u>-</u>	<u>456,680.00</u>	<u>327,921.00</u>	<u>128,759.00</u>
Total Expenditures	<u>456,680.00</u>	<u>-</u>	<u>456,680.00</u>	<u>327,921.00</u>	<u>128,759.00</u>
Excess or (Deficiency) of Revenues Over/(Under) Expenditures	<u>109,900.00</u>	<u>-</u>	<u>109,900.00</u>	<u>241,441.54</u>	<u>131,541.54</u>
Other Financing Sources (Uses):					
Operating Transfers (Out)	<u>(109,900.00)</u>		<u>(109,900.00)</u>	<u>(109,900.00)</u>	<u>-</u>
	<u>(109,900.00)</u>		<u>(109,900.00)</u>	<u>(109,900.00)</u>	<u>-</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	-	-	-	131,541.54	131,541.54
FUND BALANCE, JANUARY 1	<u>643,463.88</u>	<u>-</u>	<u>643,463.88</u>	<u>643,463.88</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 643,463.88</u>	<u>\$ -</u>	<u>\$ 643,463.88</u>	<u>\$ 775,005.42</u>	<u>\$ 131,541.54</u>

THE TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 Schedule of the Fire District's Share of the Net Pension Liability-PERS
 Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fire District's Proportion of the Net Pension Liability (Asset)**	0.0003139402%	0.0006127492%	0.061100%
Fire District's Proportionate Share of the Net Pension Liability (Asset)**	\$ 92,980.00	\$ 137,550.00	\$ 114,441.00
Fire District's Covered Payroll-PERS	\$ 27,000.00	\$ 23,815.33	\$ 43,467.96
Fire District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	344.37%	577.57%	263.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.13%	47.93%	52.08%

** GASB requires that ten years of information be presented. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

THE TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 Schedule of Fire District's Contributions- PERS
 Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 5,268.00	\$ 5,039.00	\$ 3,778.00
Contributions in Relation to the Contractually Required Contribution	<u>(5,268.00)</u>	<u>(5,039.00)</u>	<u>(3,778.00)</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered Payroll-PERS			
Contributions as a Percentage of Covered Payroll	\$ 27,000.00	\$ 23,815.33	\$ 43,467.96
	19.51%	21.16%	8.69%

** GASB requires that ten years of information be presented. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

THE TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
FOR THE YEAR ENDED DECEMBER 31, 2016

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Changes of Benefit Terms

None

Change in Assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.80%) to the current measurement date (2.85%), resulting in a change in the discount rate from 4.90% to 3.98%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

OTHER SUPPLEMENTARY INFORMATION

SECTION D
CAPITAL PROJECTS FUND

TOWNSHIP OF MONTVILLE
 FIRE DISTRICT NUMBER 1
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>Capital Improvement Fund</u>	<u>Telecom Equipment</u>	<u>Building Improvements</u>	<u>Purchase of Personal Protective Equipment</u>	<u>Acquisition of Fire Apparatus</u>
Fund Balances at Beginning of Year	\$ 1,700,195.41	\$ 449,587.91	\$ 100,000.00	\$ 647,558.50	\$ 75,000.00	\$ 428,049.00
Increased by:						
Operating Transfers In	109,900.00	109,900.00				
Interest on Investments	6,999.40	6,999.40	-	-	-	-
	<u>116,899.40</u>	<u>116,899.40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,817,094.81	566,487.31	100,000.00	647,558.50	75,000.00	428,049.00
 Fund Balances at End of Year	 <u>\$ 1,817,094.81</u>	 <u>\$ 566,487.31</u>	 <u>\$ 100,000.00</u>	 <u>\$ 647,558.50</u>	 <u>\$ 75,000.00</u>	 <u>\$ 428,049.00</u>

SECTION E
FIDUCIARY FUNDS

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 1
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
AGENCY FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016

	Balance <u>Jan. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2016</u>
Reserve for Fire Prevention	\$ 19,387.00	\$ 42,735.89	\$ 45,304.00	\$ 16,818.89
	<u>\$ 19,387.00</u>	<u>\$ 42,735.89</u>	<u>\$ 45,304.00</u>	<u>\$ 16,818.89</u>

**REPORTS PURSUANT TO GOVERNMENT AUDITING
STANDARDS**

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, N.J. 07442
973 835-7900
Fax 973 835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973 579-3212
Fax 973 579-7128

Vincent M. Montanino, RMA, PSA

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 President and
Members of the Board of Fire Commissioners
Township of Montville Fire District Number 1
County of Morris, New Jersey

We have audited the financial statements of the Township of Montville Fire District Number 1 as of and for the year ended December 31, 2016 and have issued our report thereon dated May 22, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Montville Fire District Number 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Montville Fire District Number 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Montville Fire District Number 1's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Montville Fire District Number 1'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.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.

Certified Public Accountants

Newton, New Jersey

May 22, 2017



**GENERAL COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2016**

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-3

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, c440 (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:11-15 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

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 (as amended) is \$40,000.00, however effective January 1, 2011 the bid threshold for entities without a qualified purchasing agent was rolled back to \$17,500.00.

The governing body of the Township of Montville Fire District Number 1 has the responsibility of determining whether the expenditures in any category will exceed the statutory limit within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments by categories for the performance of any work or the furnishings 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. None were noted.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory limit where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 40A:11-4.

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

NONE

Status of Prior Years' Audit Findings/Recommendations:

Not Applicable

* * * * *

Should any questions arise as to our comments please do not hesitate to call us.

We wish to express our appreciation of the assistance and courtesies extended to us by the Fire District officials and employees during the course of the audit.

Respectfully submitted,

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

May 22, 2017