

MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1

MONTVILLE, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2023

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
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DECEMBER 31, 2023**

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
Montville Township Fire District No. 1
P.O. Box 504
Montville, New Jersey

Report on the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montville Township Fire District No. 1 (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise the Montville Township Fire District No. 1's basic financial statements as listed in the table of contents.

Qualified Opinion on the Fiduciary Fund

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Montville Township Fire District No. 1, as of December 31, 2023 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information

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 Montville Township Fire District No. 1, as of December 31, 2023, 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.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Montville Township Fire District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinion.

Matter Giving Rise to Qualified Opinion on the Fiduciary Funds

As discussed in Note 4 of the financial statements, the financial statements of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Fund Financial statements as part of our audit of the District's financial statements. The LOSAP Trust Fund financial activities are included in the District's Fiduciary Funds, and represent 100 percent of the net position of the District's Fiduciary Funds as of December 31, 2023.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montville Township Fire District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Montville Township Fire District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montville Township Fire District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Montville Township Fire District No. 1 as a whole. The supplementary schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

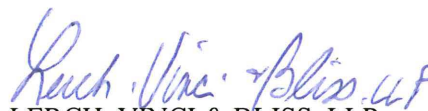
Other Information

Management is responsible for the other information included in the report of audit. The other information comprises the supplementary data and general comments and recommendation section but does not include the financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2024 on our consideration of the Montville Township Fire District No. 1'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 the effectiveness of the Montville Township Fire District No. 1's 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 Montville Township Fire District No. 1's internal control over financial reporting and compliance.


LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants

REQUIRED SUPPLEMENTARY INFORMATION

PART 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

The discussion and analysis of Montville Township Fire District No. 1’s financial performance provides an overall review of the District’s financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the District’s financial performance as a whole; readers should also review the financial statements and related notes which comprise the basic financial statements to enhance their understanding of the District’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified by the Governmental Accounting Standards Board. Certain comparative information between the current year (2023) and the two prior years (2022 and 2021) are required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2023 are as follows:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the year by \$4,494,323 (net position).
- Overall District revenues were \$694,265. General revenues accounted for \$652,067 or 94% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$42,198 or 6% of total revenue.
- The District had \$616,895 in expenses for governmental activities; only \$42,198 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$652,067 were adequate to provide for these programs.
- As of the close of the current year, the District’s governmental funds reported a combined ending fund balance of \$2,213,060 an increase of \$196,035 when compared to the ending fund balance at June 30, 2022 of \$2,017,025.
- The General Fund unassigned fund balance at December 31, 2023 was \$494,816, an increase of \$75,318 when compared with the ending fund balance of \$419,498 at December 31, 2022.
- The Capital Projects Fund unassigned fund balance at December 31, 2023 was \$1,718,244 which represents an increase of \$120,717 when compared to the ending unassigned fund balance at December 31, 2022 of \$1,597,527.

Overview of the Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the management’s discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
 - The Governmental Funds statements tell how basic services were financed in the short term as well as what remains for future spending.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Fund Financial Statements (Continued)

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

Major Features of District-Wide, Fund Financial Statements and Fiduciary Funds

	<u>District-wide Statements</u>	<u>Fund Financial Statements Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary	Instances in which the district administers resources on behalf of someone else
Required financial statements	•Statement of net position •Statement of activities	•Balance sheet •Statement of revenues, expenditures, and changes in fund balances	•Statement of fiduciary net assets •Statement of changes in fiduciary net assets
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 assets/deferred outflows/inflows of resources and liability information	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital , short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets, deferred outflows/inflows of resources and liabilities both financial and capital and short-term and long-term. The District's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during 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 the related liability is due and payable	All additions and deductions, during the year, regardless of when cash is received or paid

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets/deferred outflows and liabilities/deferred inflows – is one way to measure the District’s financial health or position

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District’s activities are reported as a Governmental Activity. Most of the District’s basic services are included here, such as fire inspection, prevention, administration and firehouse operation and maintenance.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary fund* – This fund is established to account for the tax-deferred income benefits to active volunteer members of the Fire District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s budget process. The District adopts an annual expenditure budget for the general fund and capital projects fund. A budgetary comparison statement has been provided for the General Fund as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

The District also presents required supplementary information regarding the accounting and reporting for pensions as required under GASB Statement No. 68. The required supplementary information can be found following the notes to the financial statements.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,494,323 and \$4,416,953 as of December 31, 2023 and 2022, respectively, as shown below.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to the Township's residents and businesses; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net Position
December 31, 2023, 2022 and 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current and Other Assets	\$ 2,270,143	\$ 2,071,745	\$ 2,968,818
Capital Assets	<u>2,320,222</u>	<u>2,453,805</u>	<u>1,462,866</u>
Total Assets	<u>4,590,365</u>	<u>4,525,550</u>	<u>4,431,684</u>
Deferred Outflows of Resources			
Deferred Amounts on Net Pension Liability	<u>-</u>	<u>-</u>	<u>2,774</u>
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>2,774</u>
Total Assets and Deferred Outflows of Resources	<u>4,590,365</u>	<u>4,525,550</u>	<u>4,434,458</u>
Liabilities			
Long Term Liabilities			39,481
Other Liabilities	<u>57,083</u>	<u>54,720</u>	<u>39,485</u>
Total Liabilities	<u>57,083</u>	<u>54,720</u>	<u>78,966</u>
Deferred Inflows of Resources			
Deferred Amounts on Net Pension Liability	<u>38,959</u>	<u>53,877</u>	<u>31,151</u>
Total Deferred Inflows	<u>38,959</u>	<u>53,877</u>	<u>31,151</u>
Total Liabilities and Deferred Inflows of Resources	<u>96,042</u>	<u>108,597</u>	<u>110,117</u>
Net Position			
Net Investment in Capital Assets	2,320,222	2,453,805	1,462,866
Restricted	1,718,244	1,597,527	2,632,943
Unrestricted	<u>455,857</u>	<u>365,621</u>	<u>228,532</u>
Total Net Position	<u>\$ 4,494,323</u>	<u>\$ 4,416,953</u>	<u>\$ 4,324,341</u>

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

The changes in net position for the years ended December 31, 2023, 2022 and 2021 are as follows:

	<u>Governmental Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES			
Program Revenues			
Charges for Services	\$ 42,198	\$ 44,458	\$ 44,084
General Revenues			
Property Taxes	606,721	588,072	569,514
Other	<u>45,346</u>	<u>13,405</u>	<u>9,176</u>
Total Revenues	<u>694,265</u>	<u>645,935</u>	<u>622,774</u>
EXPENSES			
Administration	35,918	36,292	46,389
Cost of Operations and Maintenance	561,655	488,747	442,408
Uniform Fire Safety	<u>19,322</u>	<u>28,284</u>	<u>26,328</u>
Total Expenses	<u>616,895</u>	<u>553,323</u>	<u>515,125</u>
Change in Net Position	77,370	92,612	107,649
Net Position, January 1	<u>4,416,953</u>	<u>4,324,341</u>	<u>4,216,692</u>
Net Position, December 31	<u>\$ 4,494,323</u>	<u>\$ 4,416,953</u>	<u>\$ 4,324,341</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 87% and 91% of revenues for governmental activities for Montville Township Fire District No. 1 for 2023 and 2022. The District's total revenues were \$694,265 and \$645,935 for the years ended December 31, 2023 and 2022, respectively. Charges for services accounted for 6% and 7% of revenues and miscellaneous revenue accounted for 7% and 2% for the years ended December 31, 2023 and 2022.

The Statement of Activities presents the cost of program services, the charges for services and grants offsetting those services. The schedule below summarizes the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Total Cost and Net Cost of Services

	<u>2023</u>		<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administration	\$ 35,918	\$ 35,918	\$ 36,292	\$ 36,292
Cost of Operations and Maintenance	561,655	561,655	488,747	488,747
Uniform Fire Safety Act	<u>19,322</u>	<u>(22,876)</u>	<u>28,284</u>	<u>(16,174)</u>
Total Expenses	<u>\$ 616,895</u>	<u>\$ 574,697</u>	<u>\$ 553,323</u>	<u>\$ 508,865</u>

Administration includes expenses associated with administrative and financial supervision of the District. Cost of Operations and Maintenance involve keeping equipment in an effective working condition.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,213,060, an increase of \$196,035 from last year's fund balance of \$2,017,025.

Revenues for the District's governmental funds were \$694,265 and total expenditures were \$498,230.

General Fund - The General Fund is the chief operating fund of the District.

Revenues of the General Fund were \$694,265 for the year ended December 31, 2023. Property taxes amounted to \$606,721, local sources totaled \$45,346 and fire inspection sources totaled \$42,198.

Expenditures of the General Fund were \$468,276. The costs of operations and maintenance were \$399,777, expenditures for administrative services were \$35,918, fire inspection costs were \$26,781 and capital expenditures totaled \$5,800 for the year ended December 31, 2023.

Capital Projects - The capital projects revenues and other financing sources exceeded expenditures and other financing uses by \$120,717 increasing the fund balance from \$1,597,527 at December 31, 2022 to \$1,718,244 at December 31, 2023.

Capital Assets

As of December 31, 2023 and 2022, the District had \$2,320,222 and \$2,453,805, respectively, invested, net of accumulated depreciation, in buildings, building improvements, machinery and equipment. The following schedule details 2023 and 2022 balances and the amount of increases and decreases in relation to prior year amounts.

**Summary of Capital Assets
(Net of Depreciation)**

<u>Capital Asset</u>	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Buildings and Building Improvements	\$ 1,439,652	\$ 1,439,652
Vehicles and Equipment	4,471,286	4,435,532
Accumulated Depreciation	<u>(3,590,716)</u>	<u>(3,421,379)</u>
 Total	 <u>\$ 2,320,222</u>	 <u>\$ 2,453,805</u>

Additional information about the District's capital assets can be found in Note 2 of this report.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

For the Future

The Montville Township Fire District No. 1 is in sound financial condition. The District is proud of its community support.

In conclusion, the Montville Township Fire District No. 1 has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 information, contact Mike Caggiano, Treasurer, at Montville Township Fire District No. 1, P. O. Box 504, Montville, NJ 07045.

**BASIC
FINANCIAL STATEMENTS**

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023**

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,244,659	\$ 2,244,659
Accrued Interest Receivable	12,526	12,526
Other Receivables	10,503	10,503
Prepaid Items	2,455	2,455
Capital Assets		
Being Depreciated, net	<u>2,320,222</u>	<u>2,320,222</u>
Total Assets	<u>4,590,365</u>	<u>4,590,365</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>4,590,365</u>	<u>4,590,365</u>
LIABILITIES		
Accounts Payable and Other Current Liabilities	<u>57,083</u>	<u>57,083</u>
Total Liabilities	<u>57,083</u>	<u>57,083</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	<u>38,959</u>	<u>38,959</u>
Total Liabilities and Deferred Inflows of Resources	<u>96,042</u>	<u>96,042</u>
NET POSITION		
Investment in Capital Assets	2,320,222	2,320,222
Restricted For Capital Projects	1,718,244	1,718,244
Unrestricted	<u>455,857</u>	<u>455,857</u>
Total Net Position	<u>\$ 4,494,323</u>	<u>\$ 4,494,323</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:					
Administration	\$ 35,918			\$ (35,918)	\$ (35,918)
Cost of Operations and Maintenance	561,655			(561,655)	(561,655)
Uniform Fire Safety Act	19,322	\$ 42,198	-	22,876	22,876
Total Governmental Activities	616,895	42,198	-	(574,697)	(574,697)
Total Primary Government	\$ 616,895	\$ 42,198	\$ -	(574,697)	(574,697)
General Revenues:					
				606,721	606,721
				45,346	45,346
				652,067	652,067
				77,370	77,370
				4,416,953	4,416,953
				\$ 4,494,323	\$ 4,494,323

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

FUND FINANCIAL STATEMENTS

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2023**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Asset			
Cash and Cash Equivalents	\$ 526,415	\$ 1,718,244	\$ 2,244,659
Accrued Interest Receivable	12,526		12,526
Other Receivables	10,503		10,503
Prepaid Items	2,455	-	2,455
	<u>551,899</u>	<u>1,718,244</u>	<u>2,270,143</u>
Total Assets	<u>\$ 551,899</u>	<u>\$ 1,718,244</u>	<u>\$ 2,270,143</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable and Other Current Liabilities	\$ 57,083	-	\$ 57,083
	<u>57,083</u>	<u>-</u>	<u>57,083</u>
Total Liabilities	<u>57,083</u>	<u>-</u>	<u>57,083</u>
Fund Balances			
Restricted			
Capital Projects		\$ 1,718,244	1,718,244
Fire Prevention	56,146		56,146
Unassigned	438,670		438,670
	<u>494,816</u>	<u>1,718,244</u>	<u>2,213,060</u>
Total Fund Balances	<u>494,816</u>	<u>1,718,244</u>	<u>2,213,060</u>
	<u>\$ 551,899</u>	<u>\$ 1,718,244</u>	
Total Liabilities and Fund Balances	<u>\$ 551,899</u>	<u>\$ 1,718,244</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 capital assets is \$5,910,938 and the accumulated depreciation is \$3,590,716.	2,320,222
Certain amounts resulting from the measurement of the net pension liability are reported as either deferred outflows of resources or deferred inflows of resources on the statement of net position and deferred over future years.	
Deferred Inflows of Resources	<u>(38,959)</u>
Net Position of Governmental Activities	<u>\$ 4,494,323</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 606,721	-	\$ 606,721
Uniform Fire Safety Act	42,198		42,198
Miscellaneous	45,346		45,346
	<u>694,265</u>	<u>-</u>	<u>694,265</u>
Total Revenues			
EXPENDITURES			
Administration	35,918		35,918
Cost of Operations and Maintenance	399,777		399,777
Capital Outlay	5,800	\$ 29,954	35,754
Uniform Fire Safety Act	26,781	-	26,781
	<u>468,276</u>	<u>29,954</u>	<u>498,230</u>
Total Expenditures			
Excess of Revenues Over Expenditures	<u>225,989</u>	<u>(29,954)</u>	<u>196,035</u>
Operating Transfers			
Transfer In		150,671	150,671
Transfer (Out)	<u>(150,671)</u>	<u>-</u>	<u>(150,671)</u>
Net Change in Fund Balances	75,318	120,717	196,035
Fund Balance, January 1, 2023	<u>419,498</u>	<u>1,597,527</u>	<u>2,017,025</u>
Fund Balance, December 31, 2023	<u>\$ 494,816</u>	<u>\$ 1,718,244</u>	<u>\$ 2,213,060</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 196,035

Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:

Capital outlays to purchase capital assets 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

Capital Outlay	\$	35,754	
Depreciation Expense		<u>(169,337)</u>	(133,583)

In the statement of activities, certain operating expenses, e.g., net pension liability are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the accrued amounts exceed the paid amounts, the difference is reduction in the reconciliation when the paid amounts exceed the accrued amounts the difference is an addition to the reconciliation.

Decrease in Pension Expense	<u>14,918</u>
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Change in Net Position of Governmental Activities (Exhibit A-2)	<u><u>\$ 77,370</u></u>
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The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
STATEMENT OF FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS
FIDUCIARY FUND
LENGTH OF SERVICE AWARDS PROGRAM
AS OF DECEMBER 31, 2023
(UNAUDITED)**

ASSETS

Cash and Cash Equivalents	
Investments with Fiscal Agents	\$ 554,258
Accounts Receivable	<u>20,800</u>
Total Assets	<u>575,058</u>

NET POSITION AVAILABLE FOR BENEFITS

Held in Trust For Benefits	<u>575,058</u>
Total Net Position	<u>\$ 575,058</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS
FIDUCIARY FUND
LENGTH OF SERVICE AWARDS PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

ADDITIONS

Contributions	\$	30,450
Increase in Investment Value		<u>80,480</u>
Total Additions		<u>110,930</u>

DEDUCTIONS

Benefits Paid to Participants		42,502
Administrative Fees		<u>1,050</u>
Total Deductions		<u>43,552</u>

Change in Net Position		67,378
Net Position Available for Benefits, January 1, 2023		<u>507,680</u>
Net Position Available for Benefits, December 31, 2023	\$	<u><u>575,058</u></u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

NOTES TO THE FINANCIAL STATEMENTS

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The Montville Township Fire District No. 1 is an instrumentality of the State of New Jersey and located in of the Township of Montville. The Board consists of five members elected to three-year terms and is responsible for the administrative control of the District.

Government Accounting Standards Board (the "GASB") requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During 2023, the District adopted the following new GASB statements:

- GASB Statement No. 96, *Subscription – Based Information Technology Arrangements*. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Other accounting standards that the District is currently reviewing for its potential impact on the financial statements include:

- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, will be effective beginning with the year ending December 31, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- GASB Statement No. 101, *Compensated Absences*, will be effective beginning with the year ending December 31, 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to residents or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The District reports the following major governmental funds:

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.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition of equipment or construction of major capital facilities. The financial resources are derived from the issuance of debt or by utilization of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Additionally, the District reports the following fund type.

The Fiduciary Fund is used to account for resources legally held by the District in a trust for Length of Service Awards Program (“LOSAP”) activities. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of their resources be preserved as capital.

Reclassifications

Certain reclassifications may have been made to the December 31, 2022 balances to conform to the December 31, 2023 presentation.

D. Measurement Focus and Basis of Accounting

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. The District’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the District’s operations are included on the Statement of Net Position. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 District 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, expenditures related to compensated absences are recorded only when payment is due.

Amounts reported as program revenues include 1) charges for services provided 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

E. Budgets/Budgetary Control

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The over expended appropriations resulted in unfavorable variances.

<u>General Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Administration			
Fringe Benefits	\$ 2,120	\$ 2,170	\$ 50
Other Expenses			
Office Expenses	900	2,575	1,675
Cost of Operations and Maintenance			
Other Expenses			
Equipment and Accessories	90,000	91,255	1,255
Utilities	45,300	47,532	2,232
Buildings and Grounds	64,000	65,643	1,643
Maintenance and Repairs	56,000	67,813	11,813

The above variances were offset with other available resources.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, cash in banks, certificates of deposits, and all highly liquid investments with a maturity of three months or less from the time of purchase. All 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 statutes provide a list of permissible investments that may be purchased by New Jersey fire districts.

The District has previously adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

2. Inventory

The cost of inventories which are deemed immaterial are recorded as an expenditure during the year of purchase.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include buildings and building improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Construction in progress is not depreciated. Buildings and improvements, vehicles and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	40
Machinery and Equipment	
Fire Trucks	25-40
Other Vehicles	5-12
Equipment	5-12

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position
(Continued)**

5. Deferred Outflows/Inflows 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. This amount is deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts in net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions. These amounts are deferred and amortized over future years.

6. Pensions

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 Public Employees Retirement System (PERS) sponsored and administered by the State of New Jersey additions to/deductions from this retirement system's fiduciary net position have been determined on the same basis as they are reported by the retirement system. 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.

7. Net Position/Fund Balance

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Investment in capital assets** – consists of the cost of capital assets less accumulated depreciation.
- **Restricted net position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – any portion of net position not already classified as either investment in capital assets or net position – restricted is classified as net position – unrestricted.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position
(Continued)

7. Net Position/Fund Balance (Continued)

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position has been depleted before unrestricted – net position is applied.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District’s fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and building improvements in the Capital Projects Fund.

Fire Prevention – Represents fund balance restricted specifically for funds accumulated related to Uniform Fire Safety Act.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

H. Revenues and Expenditures

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, investment earnings and miscellaneous revenues.

2. Fire District Taxes

Upon the proper certification to the Township of Montville, the Tax Collector shall assess the amount of taxes to be raised in support of the Fire District’s budget in the same manner as all other municipal taxes. Per N.J.S.A. 40A:14-79, the Chief Financial Officer of the Township shall then pay over to the treasurer of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over. It is the Township’s current policy to pay 50% in April and October.

3. Revenues and Expenditures

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The District’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The District is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lessor of 75% of its capital funds or \$200 million for deposits in excess of the FDIC or NCUSIF insured amounts.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2023, the book value of the District’s deposits was \$2,244,659 and the bank balance of the District’s deposits was \$2,250,416. Of the bank balances \$1,078,764 was covered by FDIC and \$1,171,652 was covered by GUDPA.

Investments

The District is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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 obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the District or bonds or other obligations of the local unit or units within which the district is located, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, 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); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the District is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2023, the District had the following investments:

	Fair Value (Unaudited)
<u>2023</u>	
Length of Service Awards Program	\$ 554,258

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are held by an outside party. The District does not have a policy for custodial risk. As of December 31, 2023, the District’s investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)
<u>2023</u>	
Uninsured and Collateralized:	
Collateral held by pledging financial institution's trust department but not in the District's name	\$ 554,258

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and N.J.A.C. 5:30-14.19). The District does not have an investment policy that would further limit its investment choices. As of December 31, 2023, the District’s investment in Lincoln Financial Group was rated A2 by Moody’s Investor Services and A+ by Standard and Poors.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Borough’s investment in a single issuer. The District places no limit in the amount the District may invest in any one issuer. More than five (5) percent of the District’s investments are in Lincoln Financial Group. These investments are 100% of the District’s total investments.

The fair value of the above-listed investments was based on information provided by Lincoln Financial Group.

Fair Value of Investments

Fair value measurements reflected in the financial statements conceptually represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that reflect the Program’s assumptions, based on the best information available, about how market participants would value an asset or liability.

Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities measured and reported at fair value are classified and disclosed within one of the following categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets as of the reporting date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations are determined through direct or indirect observations other than quoted market prices for identical assets and liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate the Program’s assumptions and projections in determining the fair value assigned to the assets or liabilities.

The fair value of investments determined to be level 2 assets as of December 31, 2023 consisted of:

Variable Annuity – Multi Fund	<u>\$554,258</u>
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**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Governmental Activities:				
Capital Assets, Being				
Depreciated:				
Buildings and Building				
Improvements	\$ 1,439,652			\$ 1,439,652
Vehicles and Equipment	<u>4,435,532</u>	<u>\$ 35,754</u>	<u>-</u>	<u>4,471,286</u>
Total Capital Assets, Being Depreciated	<u>5,875,184</u>	<u>35,754</u>	<u>-</u>	<u>5,910,938</u>
Accumulated Depreciation				
For:				
Buildings and Building				
Improvements	(1,149,817)	(36,548)		(1,186,365)
Vehicles and Equipment	<u>(2,271,562)</u>	<u>(132,789)</u>	<u>-</u>	<u>(2,404,351)</u>
Total Accumulated Depreciation	<u>(3,421,379)</u>	<u>(169,337)</u>	<u>-</u>	<u>(3,590,716)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,453,805</u>	<u>(133,583)</u>	<u>-</u>	<u>2,320,222</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 2,453,805</u>	<u>\$ (133,583)</u>	<u>\$ -</u>	<u>\$ 2,320,222</u>

Depreciation expense was charged to functions of the District as follows:

Cost of Operations and Maintenance \$169,337

NOTE 3 OTHER INFORMATION

A. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (Continued)

A. Employee Retirement Systems and Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023

NOTE 3 OTHER INFORMATION (Continued)

A. Employee Retirement Systems and Pension Plans (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2023 is \$14.6 billion and the plan fiduciary net position as a percentage of the total pension liability is 65.2% at June 30, 2023.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2022 which were rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 PERS actuarial valuations, the actuarial assumptions and methods used in the valuation were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the PERS system requires employee contributions for 2023 based on 7.50% for PERS of employee's annual compensation.

For PERS, which is a cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. All contributions made by the District for 2023, 2022 and 2021 were equal to the required contributions.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (Continued)

A. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Contributions)

During the year ended December 31, 2021, the District, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums of \$3,903, which equaled the required contributions for the year. The District was not required to contribute any pension and non-contributory life insurance premiums during the years 2023 and 2022.

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

The regulatory basis of accounting requires participating employers in PERS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2023. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2022, the District reported a liability of \$-0- for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the ratio of the District's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period.

For the year ended December 31, 2023, the pension system has determined the District's pension expense (benefit) to be \$14,218 for PERS based on the actuarial valuations which is more than the actual contribution reported in the District's financial statements of \$-0-. At December 31, 2023, the District's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the District's financial statements are from the following sources:

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District Contributions and Proportionate Share of Contributions	\$ -	\$ 38,959
Total	<u>\$ -</u>	<u>\$ 38,959</u>

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (Continued)

A. Employee Retirement Systems and Pension Plans (Continued)

Public Employees Retirement System (PERS) (Continued)

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2024	\$ (14,307)
2025	(13,057)
2026	(10,140)
2027	(1,394)
2028	(61)
Thereafter	<u>-</u>
	<u>\$ (38,959)</u>

Actuarial Assumptions

The District's total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
All Years	2.75 - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuations were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (Continued)

A. Employee Retirement Systems and Pension Plans (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 weighting 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 the pension plans' target asset allocation as of June 30, 2023, as reported for the year ended December 31, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was 7.00% for calendar year 2023, utilizing a measurement date of June 30, 2023.

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit

Payments for which the Following

Rates were Applied:

Long-Term Expected Rate of Return

All Periods

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (Continued)

A. Employee Retirement Systems and Pension Plans (Continued)

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

B. Risk Management

The District is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The District has obtained insurance coverage to guard against these events which will provide minimum exposure to the District should they occur.

New Jersey Unemployment Compensation Insurance – The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

NOTE 4 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) UNAUDITED

The Montville Township Fire District No. 1 Length of Service Awards Program (LOSAP) was created pursuant to Section 457 (e)(11)(13) of the Internal Revenue Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Awards Program as enacted into federal law in 1997.

The tax deferred income benefits for active volunteer members of the Montville Township Fire District No. 1 come from contributions made solely by the District, on behalf of those volunteers who meet the criteria of the Program created by the Board.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Montville Township of Fire District No. 1 contributed between \$550 and \$1,150 per eligible volunteer into the Program, based on the annual accumulated points of each member for the year ended December 31, 2023. The District contributed \$20,800 for 2023.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the Program participants and their beneficiaries.

Lincoln Financial Group is the administrator of the Program. The District's practical involvement in administering the Program is essentially limited to verifying the eligibility of each participant and remitting the funds to the Program administrator.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023**

NOTE 4 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) (UNAUDITED) (Continued)

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the District perform a separate review report of the Program in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the program are presented as unaudited in this report as part of the District's Fiduciary Funds.

NOTE 5 SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through June 14, 2024 the date of which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISONS

MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Miscellaneous Revenues					
Interest on Investments	\$ 4,050	-	\$ 4,050	\$ 45,346	\$ 41,296
Uniform Fire Safety Act	39,150	-	39,150	42,198	3,048
Amount to be Raised by Taxation	<u>606,721</u>	<u>-</u>	<u>606,721</u>	<u>606,721</u>	<u>-</u>
Total Revenues	<u>649,921</u>	<u>-</u>	<u>649,921</u>	<u>694,265</u>	<u>44,344</u>
EXPENDITURES					
Administration					
Salaries and Wages					
Commissioners	7,500		7,500	7,500	-
Clerk	<u>17,280</u>	<u>-</u>	<u>17,280</u>	<u>17,280</u>	<u>-</u>
Total Salaries and Wages	<u>24,780</u>	<u>-</u>	<u>24,780</u>	<u>24,780</u>	<u>-</u>
Fringe Benefits	<u>2,120</u>	<u>-</u>	<u>2,120</u>	<u>2,170</u>	<u>(50)</u>
Other Expenses					
Professional Services	10,500	-	10,500	5,721	4,779
Election and Advertising	1,550		1,550	672	878
Office Expenses	<u>900</u>	<u>-</u>	<u>900</u>	<u>2,575</u>	<u>(1,675)</u>
Total Other Expenses	<u>12,950</u>	<u>-</u>	<u>12,950</u>	<u>8,968</u>	<u>3,982</u>
Total Administration	<u>39,850</u>	<u>-</u>	<u>39,850</u>	<u>35,918</u>	<u>3,932</u>
Cost of Operations and Maintenance					
Fringe Benefits	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Other Expenses:					
Insurance	63,000		63,000	55,864	7,136
Uniforms	35,000		35,000	29,050	5,950
Equipment and Accessories	90,000		90,000	91,255	(1,255)
Supplies	12,000		12,000	10,719	1,281
Professional Services	7,000		7,000	4,250	2,750
Office Expenses	2,150		2,150	837	1,313
Medical Supplies	2,500		2,500	326	2,174
Training and Education	12,000		12,000	975	11,025
Travel	900		900	863	37
Dues and Subscriptions	400		400	-	400
Utilities	45,300		45,300	47,532	(2,232)
Recruiting Expenses	7,500		7,500		7,500
Buildings and Grounds	64,000		64,000	65,643	(1,643)
Maintenance and Repairs	<u>56,000</u>		<u>56,000</u>	<u>67,813</u>	<u>(11,813)</u>
Total Other Expenses	<u>397,750</u>	<u>-</u>	<u>397,750</u>	<u>375,127</u>	<u>22,623</u>
Length of Service Awards Program	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>30,450</u>	<u>(10,450)</u>
Total Cost of Operations and Maintenance	<u>420,250</u>	<u>-</u>	<u>420,250</u>	<u>405,577</u>	<u>14,673</u>

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES: (Continued)					
Uniform Fire Safety:					
Salaries and Wages:					
Fire Official	\$ 14,000	-	\$ 14,000	\$ 6,884	\$ 7,116
Fire Inspector	11,000		11,000	10,182	818
Clerk	4,800	-	4,800	4,800	-
Total Salaries and Wages	<u>29,800</u>	<u>-</u>	<u>29,800</u>	<u>21,866</u>	<u>7,934</u>
Fringe Benefits	<u>2,300</u>	<u>-</u>	<u>2,300</u>	<u>1,908</u>	<u>392</u>
Other Expenses	<u>7,050</u>	<u>-</u>	<u>7,050</u>	<u>3,007</u>	<u>4,043</u>
Total Uniform Fire Safety Act	<u>39,150</u>	<u>-</u>	<u>39,150</u>	<u>26,781</u>	<u>12,369</u>
Total Expenditures	<u>499,250</u>	<u>-</u>	<u>499,250</u>	<u>468,276</u>	<u>30,974</u>
Excess of Revenues Over Expenditures	150,671	-	150,671	225,989	75,318
Operating Transfers Out	<u>(150,671)</u>		<u>(150,671)</u>	<u>(150,671)</u>	<u>-</u>
Excess of Revenues Over Expenditures After Transfers	-	-	-	75,318	75,318
Fund Balance, January 1, 2023	<u>419,498</u>	<u>-</u>	<u>419,498</u>	<u>419,498</u>	<u>-</u>
Fund Balance, December 31, 2023	<u>\$ 419,498</u>	<u>\$ -</u>	<u>\$ 419,498</u>	<u>\$ 494,816</u>	<u>\$ 75,318</u>
Restricted - Fire Prevention				\$ 56,146	
Unassigned				<u>438,670</u>	
Total Fund Balances				<u>\$ 494,816</u>	

REQUIRED SUPPLEMENTARY INFORMATION

PART III

PENSION INFORMATION

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Nine Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Position Liability (Asset)	0 %	0 %	0.00033 %	0.00034 %	0.00034 %	0.00035 %	0.00042 %	0.00031 %	0.00061 %
District's Proportionate Share of the Net Pension Liability	<u>\$0</u>	<u>\$0</u>	<u>\$ 39,481</u>	<u>\$ 55,021</u>	<u>\$ 61,908</u>	<u>\$ 68,451</u>	<u>\$ 96,768</u>	<u>\$ 92,980</u>	<u>\$ 137,550</u>
District's Covered Payroll	<u>\$0</u>	<u>\$0</u>	<u>\$ 22,385</u>	<u>\$ 24,420</u>	<u>\$ 24,420</u>	<u>\$ 24,420</u>	<u>\$ 24,420</u>	<u>\$ 27,000</u>	<u>\$ 23,815</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	0.00%	0.00%	176%	225%	254%	280%	396%	344%	578%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	0.00%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.92%

* The amounts presented for each year were determined as of June 30 of the respective year.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Nine Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contribution	\$-0-	\$-0-	\$ 3,903	\$ 3,691	\$ 3,458	\$ 3,851	\$ 2,789	\$ 5,268	\$ 5,039
Contributions in Relation to the Statutorily Required Contributions	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	<u>-0-</u>	<u>-0-</u>	<u>\$ 3,903</u>	<u>\$ 3,691</u>	<u>\$ 3,458</u>	<u>\$ 3,851</u>	<u>\$ 2,789</u>	<u>\$ 5,268</u>	<u>\$ 5,039</u>
District's Covered Payroll	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$ 22,385</u>	<u>\$ 24,420</u>	<u>\$ 24,420</u>	<u>\$ 24,420</u>	<u>\$ 24,420</u>	<u>\$ 27,000</u>	<u>\$ 23,815</u>
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Change of Benefit Terms:

None.

Change of Assumptions:

Assumptions used in calculating the net pension liability and
statutorily required employer contribution are presented in Note 3
of the financial statements.

OTHER SUPPLEMENTARY INFORMATION

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
SUMMARY SCHEUDLE OF RESTRICTED NET POSITION
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Project</u>	<u>Balance January 1, 2023</u>	<u>Operating Transfer In</u>	<u>Expended In 2023</u>	<u>Balance December 31, 2023</u>
Capital Improvement Fund	\$ 512,106	\$ 150,671	\$ 29,954	\$ 632,823
Telecom Equipment	100,000			100,000
Building Improvements	613,963			613,963
Purchase of Ladder Truck	310,479			310,479
Purchase of Personal Protective Equipment	60,979	-		60,979
	<u>\$ 1,597,527</u>	<u>\$ 150,671</u>	<u>\$ 29,954</u>	<u>\$ 1,718,244</u>

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
ROSTER OF OFFICIALS
DECEMBER 31, 2023**

Board of Fire Commissioners

Carl Lewis, Chairman

Robert Cook, Vice-Chairman

Michael Caggiano, Treasurer

Edward Bitterle, Commissioner

Donald Crownover, Commissioner

Other Officials

Denise Phostole, District Clerk

Ronald A. Baldwin, Fire Official

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA, PSA
CHRISTOPHER M. VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA
JOHN CUIFFO, CPA, PSA

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

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
Montville Township Fire District No. 1
P.O. Box 504
Montville, New Jersey

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 the Montville Township Fire District No. 1, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Montville Township Fire District No. 1's basic financial statements, as listed in the table of contents, and have issued our report thereon dated June 14, 2024. Our report on the financial statements was qualified because of the presentation of the unaudited Length of Service Awards Program ("LOSAP") Fiduciary Fund financial statements.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montville Township Fire District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Montville Township Fire District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montville Township Fire District No. 1'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Montville Township Fire District No. 1'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 financial statements. 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.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of the Montville Township Fire District No. 1 in the section of this report of audit entitled "General Comments and Recommendations".

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 Montville Township Fire District No. 1'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 Montville Township Fire District No. 1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
July 14, 2024

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements	<u>Modified - Unaudited LOSAP</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified?	___ yes	_X_ no
2) Significant Deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	_X_ none reported
Noncompliance material to basic financial statements noted?	___ yes	_X_ no

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Paragraph 5.18-5.20 of *Government Auditing Standards*.

There are none.

**MONTVILLE TOWNSHIP FIRE DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

This section identifies that status of prior-year findings related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Status of Prior Year Findings

There were none.

SUPPLEMENTARY DATA

STATISTICAL INFORMATION

Property Tax Levies

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

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2023	\$ 1,559,525,800	\$ 606,721	\$ 0.039
2022	1,545,849,400	588,072	0.039
2021	1,535,596,100	569,514	0.038
2020	1,535,253,800	554,270	0.037
2019	1,539,479,000	538,817	0.035

General Fund – Unassigned – Designated for Subsequent Year’s Budget:

<u>Year</u>	<u>Balance, December 31,</u>	<u>Designated for Subsequent Year's Budget</u>
2023	\$ 438,670	
2022	378,769	
2021	266,795	
2020	1,074,305	\$ 900,000
2019	1,025,994	

Capital Projects Fund – Restricted – Designated for Subsequent Year’s Budget:

<u>Year</u>	<u>Balance, December 31,</u>	<u>Designated for Subsequent Year's Budget</u>
2023	\$ 1,718,244	
2022	1,597,527	
2021	2,632,943	\$ 135,000
2020	1,611,576	500,000
2019	1,495,369	

GENERAL COMMENTS

Contracts and Agreements Required To Be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement".

If the District has a qualified purchasing agent, the District may establish the bid threshold up to a maximum of \$44,000. The bid threshold approved for the Fire District is \$17,500.

The Board of Commissioners of the District has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the District Attorney's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for 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 violations existed.

Acknowledgment

We received the complete cooperation of all officials of the District and we greatly appreciate the courtesies extended to us.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS AND RECOMMENDATIONS

- Comment:** The District does not independently verify that the various payroll taxes and deductions are remitted by the District's third-party payroll service provider by the required due dates.
- * **Recommendation:** The District verify on a monthly basis that the various payroll deductions have been paid by the District's third-party provider by the required due dates.
- Comment:** The District does not obtain Form W-9 from its vendors, nor does the District review their year-end expenditure reports to determine if any vendors are required to receive IRS Form 1099.
- * **Recommendation:** Procedures be implemented to ensure that all required vendors receive the IRS Form 1099.
- Comments:** Our audit of purchasing revealed the following:
- Purchase orders are not approved prior to the goods or services being received.
 - The District does not obtain the claimant's certification on the purchase order.
 - The District does not have a formal receiving signature on the purchase orders.
- * **Recommendation:** Internal controls relating to purchasing be reviewed and enhanced.
- Comment:** The District utilizes a credit card to pay certain vendors that do not accept purchase orders.
- * **Recommendation:** The District discontinue the use of the credit card.
- Comment:** The District's depositories are not approved by the Commissioners.
- * **Recommendation :** The Fire District's official depositories be approved on an annual basis by the Board of Commissioners.

Status of Prior Year Recommendations

A review was performed on all prior year's recommendation, the District has taken corrective action on all prior year recommendations, except those denoted by an asterisk (*).