

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2**

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FIRE DISTRICT NUMBER 2**

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INTRODUCTORY SECTION

MONTVILLE TOWNSHIP FIRE DISTRICT NO. 2
TOWACO BOARD OF FIRE COMMISSIONERS
PO BOX 353, TOWACO, NJ 07082-0353
TELEPHONE: 973-334-4636 FAX: 973-334-5911
Email: commissioners@towacofd.org

To the Board of Fire Commissioners
Montville Township Fire District Number 2
Towaco, New Jersey

Dear Fire Commissioners:

The annual financial report of the Montville Fire District Number 2 (the "District") for the year ended December 31, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the general fund of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

REPORTING ENTITY AND ITS SERVICES

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

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

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

INTERNAL ACCOUNTING CONTROLS:

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

BUDGETARY CONTROLS:

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

ACCOUNTING SYSTEM AND REPORTS:

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

CASH MANAGEMENT:

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

RISK MANAGEMENT:

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

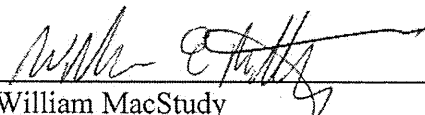
OTHER INFORMATION:

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

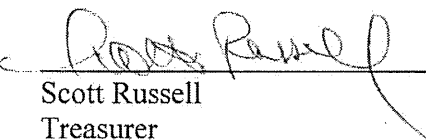
ACKNOWLEDGEMENTS:

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

Respectfully submitted,



William MacStudy
President



Scott Russell
Treasurer

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

ROSTER OF OFFICIALS

Roster of Officials

		<u>Amount of Surety Bond</u>
William MacStudy	Commissioner (President)	
Michael Ward	Commissioner (Vice-President)	
Scott Russell	Commissioner (Treasurer)	\$500,000 (1)
John Connelly	Commissioner	
Mike Misiewicz	Commissioner (District Clerk)	
Antonette Prudente	Board Secretary	\$500,000 (1)

Surety Company

(1) American Alternative Insurance Corporation, policy #TR-2066978-03.

FINANCIAL SECTION

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

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

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Commissioners
Township of Montville Fire District Number 2
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Montville Fire District Number 2, (the "Fire District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated April 27, 2018 on our consideration of the Township of Montville Fire District Number 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in considering the District's internal control over financial reporting and compliance.

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

April 27, 2018

REQUIRED SUPPLEMENTARY INFORMATION

PART 1

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2017
(UNAUDITED)

Our discussion and analysis of the Township of Montville Fire District Number 2's financial activities for the year ended December 31, 2017. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

1. The District's net position increased \$209,060.83 as a result of this year's operations or 8.60 percent.
2. Total cost of all of the District's programs was \$490,006.33 in 2017 compared to \$545,359.44 in 2016.
3. During the year, the District had expenses for governmental activities that were \$209,060.83 less than the \$ 675,658.85 generated in tax and other revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view on the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net position are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation.

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets changed from a year ago, increasing from \$2,430,356.88 to \$2,639,417.71. Looking at the net position and net expenses of governmental activities, different stories emerge. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities as of December 31.

Table 1
Net Position

	Governmental Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 719,801.09	\$ 518,144.41	\$ 719,801.09	\$ 518,144.41
Receivables, Net	78,758.47	55,350.16	78,758.47	55,350.16
Prepaid Expenses	7,004.00	13,771.00	7,004.00	13,771.00
Capital Assets				
Land & Construction in Progress	98,923.44	77,700.00	98,923.44	77,700.00
Other Assets, Net of				
Accumulated Depreciation	<u>1,849,839.36</u>	<u>1,937,796.58</u>	<u>1,849,839.36</u>	<u>1,937,796.58</u>
Total Assets	<u>2,754,326.36</u>	<u>2,602,762.15</u>	<u>2,754,326.36</u>	<u>2,602,762.15</u>
Long Term Debt Outstanding	114,908.65	170,066.85	114,908.65	170,066.85
Other Liabilities	<u>-</u>	<u>2,338.42</u>	<u>-</u>	<u>2,338.42</u>
Total Liabilities	<u>114,908.65</u>	<u>172,405.27</u>	<u>114,908.65</u>	<u>172,405.27</u>
Net Position:				
Net Investment in Capital Assets	1,833,854.15	1,845,429.73	1,833,854.15	1,845,429.73
Restricted for:				
Capital Projects	473,500.00	333,500.00	473,500.00	333,500.00
Other Purposes	124,500.00	4,000.00	124,500.00	4,000.00
Unrestricted	<u>207,563.56</u>	<u>247,427.15</u>	<u>207,563.56</u>	<u>247,427.15</u>
Total Net Position	<u>\$2,639,417.71</u>	<u>\$2,430,356.88</u>	<u>\$2,639,417.71</u>	<u>\$2,430,356.88</u>

- Net position of the District's governmental activities increased \$209,06.83 or 8.60%.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased \$39,863.59 or 16.11%.
- The net investment in capital assets decreased \$11,575.58 or .63%.

Table 2
Changes in Net Position

	Governmental Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Revenues</u>				
Program Revenues:				
Operating Grants & Contributions	\$ 23,408.31	\$ 23,363.72	\$ 23,408.31	\$23,363.72
General Revenues:				
Property Taxes	674,886.00	671,686.00	674,886.00	671,686.00
Interest and Miscellaneous Revenue	<u>772.85</u>	<u>472.37</u>	<u>772.85</u>	<u>472.37</u>
Total Revenues	<u>699,067.16</u>	<u>695,522.09</u>	<u>699,067.16</u>	<u>695,522.09</u>
<u>Program Expenses,</u>				
<u>Including Indirect Expenses</u>				
Administration:				
Salaries	28,689.90	28,182.95	28,689.90	28,182.95
Fringe Benefits	4,157.84	6,194.76	4,157.84	6,194.76
Other Expenses	65,387.56	64,255.65	65,387.56	64,255.65
Cost of Providing Services:				
Salaries	6,137.88	6,106.54	6,137.88	6,106.54
Fringe Benefits	6,506.40		6,506.40	
Other Expenses	353,380.02	404,306.13	353,380.02	404,306.13
Uniform Fire Safety Act:				
Salaries	19,627.37	16,416.86	19,627.37	16,416.86
Other Expenses	3,780.94	6,946.86	3,780.94	6,946.86
Interest on Long-Term Debt	<u>2,338.42</u>	<u>7,414.96</u>	<u>2,338.42</u>	<u>7,414.96</u>
Cost of District Programs	<u>490,006.33</u>	<u>539,824.71</u>	<u>490,006.33</u>	<u>539,824.71</u>
Special Item Adjustment to Capital Assets	<u>-</u>	<u>5,534.73</u>	<u>-</u>	<u>5,534.73</u>
Total Expenses	<u>490,006.33</u>	<u>545,359.44</u>	<u>490,006.33</u>	<u>545,359.44</u>
Increase/(Decrease) in Net Position	<u>\$209,060.83</u>	<u>\$150,162.65</u>	<u>\$209,060.83</u>	<u>\$150,162.65</u>

Table 3
Governmental Activities

	<u>2017</u>	<u>2016</u>	<u>Increase/ Decrease</u>	<u>% Change</u>
<u>Revenues by Source:</u>				
Local Sources:				
Local Tax Levy	\$674,886.00	\$671,686.00	\$3,200.00	.48 %
Interest on Investment	<u>772.85</u>	<u>472.37</u>	<u>300.48</u>	<u>63.61 %</u>
Total - Local Sources	<u>675,658.85</u>	<u>672,158.37</u>	<u>3,500.48</u>	<u>.52 %</u>
State Sources	<u>23,408.31</u>	<u>23,363.72</u>	<u>44.59</u>	<u>.19 %</u>
Total Revenues	<u><u>699,067.16</u></u>	<u><u>695,522.09</u></u>	<u><u>3,545.07</u></u>	<u><u>.51 %</u></u>
 <u>Expenditures by Function:</u>				
Administration:				
Salaries	28,689.90	\$28,182.95	506.95	1.80 %
Fringe Benefits	4,157.84	6,194.76	(2,036.92)	(32.88)%
Other Expenses	16,329.90	16,116.76	213.14	1.32%
Cost of Providing Services:				
Salaries	6,137.88	6,106.54	31.34	.51 %
Fringe Benefits	6,506.40	-	6,506.40	100.00 %
Other Expenses	246,213.46	300,679.52	(54,466.06)	(18.11)%
Uniform Fire Safety Act:				
Salaries	19,627.37	16,416.86	3,210.51	19.56 %
Other Expenses	3,780.94	6,946.86	(3,165.92)	(45.57)%
Capital Outlay	89,490.44	20,072.75	69,417.69	345.83 %
Debt Service:				
Principal	55,158.20	133,681.95	(78,523.75)	(58.74)%
Interest on Long-Term Debt	<u>4,676.84</u>	<u>10,353.09</u>	<u>(5,676.25)</u>	<u>(54.83)%</u>
 Total Expenditures	<u><u>\$480,769.17</u></u>	<u><u>\$544,752.04</u></u>	<u><u>\$(63,982.87)</u></u>	<u><u>(11.74)%</u></u>

Table 4
Capital Assets

Net Investment in Capital Assets at Year-End

	<u>Governmental Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Construction in Progress	\$21,223.44	\$ -	\$21,223.44	\$ -
Land	77,700.00	77,700.00	77,700.00	77,700.00
Land Improvements	75,744.23	55,125.23	75,744.23	55,125.23
Buildings and Improvements	2,057,492.25	2,045,393.25	2,057,492.25	2,045,393.25
Machinery and Equipment	<u>2,181,251.04</u>	<u>2,145,702.04</u>	<u>2,181,251.04</u>	<u>2,145,702.04</u>
Subtotal	<u><u>4,413,410.96</u></u>	<u><u>4,323,920.52</u></u>	<u><u>4,413,410.96</u></u>	<u><u>4,323,920.52</u></u>
Accumulated Depreciation	<u>(2,464,648.16)</u>	<u>(2,308,423.94)</u>	<u>(2,464,648.16)</u>	<u>(2,308,423.94)</u>
Total Net Position	<u><u>\$1,948,762.80</u></u>	<u><u>\$2,015,496.58</u></u>	<u><u>\$1,948,762.80</u></u>	<u><u>\$2,015,496.58</u></u>

The District's 2018 capital budget anticipates spending \$140,000.00 for future capital projects. More detailed information about the District capital assets is presented in the notes to the basic financial statements.

DEBT

At year-end, the District had total debt of \$114,908.65 outstanding versus \$170,066.85 last year - a decrease of \$55,158.20 - as shown in Table 5.

Table 5
Outstanding Debt, at Year-End

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Capital Leases	<u>\$114,908.65</u>	<u>\$170,066.85</u>

Analysis of District Debt is presented in the notes to the basic financial statements.

BUDGETS

There were no significant variances between the originally adopted budget and revised budget for the year 2017. For more detailed information refer to Exhibit C-1.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Commissioners, Township of Montville Fire District Number 2, P.O. Box 353, Montville, New Jersey 07082.

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
STATEMENT OF NET POSITION
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and Cash Equivalents	\$ 719,801.09	\$ 719,801.09
Prepaid Expenses	7,004.00	7,004.00
Receivables, Net	78,758.47	78,758.47
Capital Assets:		
Land & Construction in Progress	98,923.44	98,923.44
Other Assets, Net of Accum. Depreciation	<u>1,849,839.36</u>	<u>1,849,839.36</u>
Total Assets	<u>2,754,326.36</u>	<u>2,754,326.36</u>
LIABILITIES		
Noncurrent Liabilities:		
Due Within One Year	56,675.05	56,675.05
Due Beyond One Year	<u>58,233.60</u>	<u>58,233.60</u>
Total Liabilities	<u>114,908.65</u>	<u>114,908.65</u>
NET POSITION		
Net Investment in Capital Assets	1,833,854.15	1,833,854.15
Restricted for:		
Capital Projects	473,500.00	473,500.00
Other Purposes	124,500.00	124,500.00
Unrestricted/Unassigned	<u>207,563.56</u>	<u>207,563.56</u>
Total Net Position	<u>\$ 2,639,417.71</u>	<u>\$ 2,639,417.71</u>

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
STATEMENT OF ACTIVITIES
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
			Governmental Activities	Total
Governmental Activities:				
Administration:				
Salaries	\$ 28,689.90	\$ -	\$ (28,689.90)	\$ (28,689.90)
Fringe Benefits	4,157.84		(4,157.84)	(4,157.84)
Other Expenses	65,387.56		(65,387.56)	(65,387.56)
Cost of Providing Services:				
Salaries	6,137.88		(6,137.88)	(6,137.88)
Fringe Benefits	6,506.40		(6,506.40)	(6,506.40)
Other Expenses	353,380.02		(353,380.02)	(353,380.02)
Uniform Fire Safety Act:				
Salaries	19,627.37	19,627.37	-	-
Fringe Benefits	-		-	-
Other Expenses	3,780.94	3,780.94	-	-
Interest on Long-Term Debt	2,338.42	-	(2,338.42)	(2,338.42)
Total Governmental Activities	490,006.33	23,408.31	(466,598.02)	(466,598.02)
Total Primary Government	\$ 490,006.33	\$ 23,408.31	\$ (466,598.02)	\$ (466,598.02)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			\$ 615,050.96	\$ 615,050.96
Property Taxes, Levied for Debt Service Principal			59,835.04	59,835.04
Investment Earnings			695.19	695.19
Miscellaneous Income			77.66	77.66
Total General Revenues			675,658.85	675,658.85
Change in Net Position			209,060.83	209,060.83
Net Position—Beginning			2,430,356.88	2,430,356.88
Net Position—Ending			\$ 2,639,417.71	\$ 2,639,417.71

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 246,301.09	\$ 473,500.00	\$ 719,801.09
Interfunds Receivable	78,758.47	-	78,758.47
Prepaid Expenses	<u>7,004.00</u>	<u>-</u>	<u>7,004.00</u>
Total Assets	<u>\$ 332,063.56</u>	<u>\$ 473,500.00</u>	<u>\$ 805,563.56</u>

LIABILITIES AND FUND BALANCES

Fund Balances:			
Assigned to:			
Designated for subsequent			-
year's expenditures	124,500.00		124,500.00
Unreserved / Unassigned, reported in:			
General Fund	207,563.56		207,563.56
Capital Projects Fund	<u>-</u>	<u>473,500.00</u>	<u>473,500.00</u>
Total Fund Balances	<u>332,063.56</u>	<u>473,500.00</u>	<u>805,563.56</u>
Total Liabilities and Fund Balances	<u>\$ 332,063.56</u>	<u>\$ 473,500.00</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,413,410.96 and the accumulated depreciation is \$2,464,648.16.

1,948,762.80

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(114,908.65)

Net position of governmental activities

\$ 2,639,417.71

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources:				
Local Tax Levy	\$ 615,050.96	\$ -	\$ 59,835.04	\$ 674,886.00
Interest Earned on Investments	695.19	-	-	695.19
Miscellaneous	<u>77.66</u>	<u>-</u>	<u>-</u>	<u>77.66</u>
Total - Local Sources	615,823.81	-	59,835.04	675,658.85
State Sources	<u>23,408.31</u>	<u>-</u>	<u>-</u>	<u>23,408.31</u>
Total Revenues	<u>639,232.12</u>	<u>-</u>	<u>59,835.04</u>	<u>699,067.16</u>
EXPENDITURES				
Current:				
Administration:				
Salaries	28,689.90			28,689.90
Fringe Benefits	4,157.84			4,157.84
Other Expenses	16,329.90			16,329.90
Cost of Providing Services:				
Salaries	6,137.88			6,137.88
Fringe Benefits	6,506.40			6,506.40
Other Expenses	246,213.46			246,213.46
Uniform Fire Safety Act:				
Salaries	19,627.37			19,627.37
Other Expenses	3,780.94			3,780.94
Capital Outlay	89,490.44	-		89,490.44
Debt Service:				
Principal			55,158.20	55,158.20
Interest and Other Charges	<u>-</u>	<u>-</u>	<u>4,676.84</u>	<u>4,676.84</u>
Total Expenditures	<u>420,934.13</u>	<u>-</u>	<u>59,835.04</u>	<u>480,769.17</u>
Excess (Deficiency) of Revenues over Expenditures	<u>218,297.99</u>	<u>-</u>	<u>-</u>	<u>218,297.99</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers In	-	140,000.00		140,000.00
Transfers (Out)	<u>(140,000.00)</u>	<u>-</u>	<u>-</u>	<u>(140,000.00)</u>
Total Other Financing Sources and (Uses)	<u>(140,000.00)</u>	<u>140,000.00</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	78,297.99	140,000.00	-	218,297.99
Fund Balance—January 1	<u>253,765.57</u>	<u>333,500.00</u>	<u>-</u>	<u>587,265.57</u>
Fund Balance—December 31	<u>\$ 332,063.56</u>	<u>\$ 473,500.00</u>	<u>\$ -</u>	<u>\$ 805,563.56</u>

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

Total net change in fund balances - governmental funds (from B-2) **\$ 218,297.99**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (156,224.22)	
Capital outlays	<u>89,490.44</u>	
		(66,733.78)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

55,158.20

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)

Interest paid	4,676.84	
Interest accrued	<u>(2,338.42)</u>	
		<u>2,338.42</u>

Change in net position of governmental activities **\$ 209,060.83**

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	Fire Prevention <u>Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 138,571.18
Total Assets	<u>\$ 138,571.18</u>
LIABILITIES	
Payable to District	\$ 78,758.47
Total Liabilities	<u>\$ 78,758.47</u>
NET POSITION	
Reserved for Fire Prevention	<u>\$ 59,812.71</u>

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	Fire Prevention Fund
ADDITIONS	
Deposits:	
Income from Inspections	\$ 7,735.00
State LEA Rebate	11,037.93
Other	<u>12,540.00</u>
Total Contributions	<u>31,312.93</u>
Investment Earnings:	
Interest	<u>134.67</u>
Net Investment Earnings	<u>134.67</u>
Total Additions	<u>31,447.60</u>
DEDUCTIONS	
Transfer to General Fund	<u>23,408.31</u>
Total Deductions	<u>23,408.31</u>
Change in Net Position	<u>8,039.29</u>
Net Position—Beginning	<u>51,773.42</u>
Net Position—Ending	<u>\$ 59,812.71</u>

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1: Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

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

The primary criterion for including activities within the Township of Montville Fire District Number 2 reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District includes one fire house located in the Township of Montville. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay sub fund.

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

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

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (continued)

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds and capital leases issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type

The focus of Proprietary Funds measure is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector.

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Fire Prevention and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

E. Measurement Focus and Basis of Accounting

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

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (continued)

judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

F. Budgets/Budgetary Control

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

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

Amendments to the operating and/or capital budgets may be permitted for a variety of conditions, as more fully described in the rules and regulations promulgated by the Local Finance Board. There were a few significant budget amendments during the fiscal year. See Exhibit C-1 for more details.

Under encumbrance accounting purchase orders, contract 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 good and services.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (continued)

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

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents includes petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and Agency Obligations and Certificate of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

2. Short-term Interfund Receivables/Payables

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

3. Inventories and Pre-Paid Expenses

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

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (continued)

4. Capital Assets

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

Land and Construction in Progress are not depreciated.

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

5. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

6. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates. The items where estimates would occur are for depreciation of capital assets and their useful lives.

7. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Washington classifies governmental fund balances as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (continued)

7. Fund Equity (continued)

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned - includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

8. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements

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

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The District does not believe this Statement will have any effect on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The District does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The District does not believe this Statement will have any effect on future financial statements.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements (continued)

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The District does not believe this Statement will have any effect on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The District does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice. The District does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The District does not believe this Statement will have any effect on future financial statements.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements (continued)

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Government Accounting Standards Board issued GASB Statement No. 87, *Leases*, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 2: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

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

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

At December 31, 2017 the District's cash and cash equivalents amounted to \$783,528.25. Of this amount, \$250,000.00 was covered by federal depository insurance (F.D.I.C.) and \$532,528.25 was covered by a collateral pool maintained by the banks as required by GUDPA.

At December 31, 2017 the District did not participate in the State of New Jersey Cash Management Fund.

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

As of December 31, 2017 none of the District's cash and cash equivalents of \$783,528.25 was exposed to custodial credit risk.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

A. Deposits and Investments (continued)

Investments

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

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

The District had no investments as described in Note 1:G.1 at December 31, 2017.

Custodial Credit Risk: Pursuant to GASB 40, the Fire District did not have any investments that were exposed to custodial credit risk. The Fire District does not have a policy for custodial credit risk.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

A. Deposits and Investments (continued)

Investments (Continued)

Credit Risk: The Fire District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Fire District did not have any investments at December 31, 2017.

Interest Rate Risk: The Fire District does not have a policy to limit interest rate risk. The Fire District did not have any investments at December 31, 2017.

Concentration of Credit Risk: The Fire District places no limit on the amount the Fire District may invest in any one issuer. The Fire District did not have any investments at December 31, 2017.

B. Interfund Receivables and Payables

As of December 31, 2017, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$78,758.47	\$ -
Trust and Agency Fund	<u>-</u>	<u>78,758.47</u>
	<u>\$78,758.47</u>	<u>\$78,758.47</u>

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

C. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities:			
Capital Assets not Being Depreciation			
Land	\$ 77,700.00	\$ -	\$ 77,700.00
Construction in Progress	<u>-</u>	<u>21,223.44</u>	<u>21,223.44</u>
Total Capital Assets not Being	<u>77,700.00</u>	<u>21,223.44</u>	<u>98,923.44</u>
Land Improvements	55,125.23	20,619.00	75,744.23
Buildings and Improvements	2,045,393.25	12,099.00	2,057,492.25
Machinery and Equipment	<u>2,145,702.04</u>	<u>35,549.00</u>	<u>2,181,251.04</u>
Totals at Historical Cost	<u>4,246,220.52</u>	<u>68,267.00</u>	<u>4,314,487.52</u>
Less Accumulated Depreciation for:			
Land Improvements	(18,304.39)	(2,951.73)	(21,256.12)
Buildings and Improvements	(876,487.32)	(46,105.93)	(922,593.25)
Machinery and Equipment	<u>(1,413,632.23)</u>	<u>(107,166.56)</u>	<u>(1,520,798.79)</u>
Total Accumulated Depreciation	<u>(2,308,423.94)</u>	<u>(156,224.22)</u> (1)	<u>(2,464,648.16)</u>
Net Capital Assets Being Depreciated	<u>1,937,796.58</u>	<u>(87,957.22)</u>	<u>1,849,839.36</u>
Governmental Activities Capital Assets, Net			
	<u>\$ 2,015,496.58</u>	<u>\$ (66,733.78)</u>	<u>\$ 1,948,762.80</u>

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

Administration	\$ 49,057.66
Cost of Providing Services	<u>107,166.56</u>
	<u>\$156,224.22</u>

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 3: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

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

B. Long-Term Liabilities

Long-Term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:				
Other Liabilities:				
Capital Leases	\$ 170,066.85	\$ 55,158.20	\$ 114,908.65	\$ 56,675.05
Long-Term Liabilities	\$ 170,066.85	\$ 55,158.20 ⁽¹⁾	\$ 114,908.65	\$ 56,675.05

(1) Paid by Debt Service Fund

Note 4: Post Retirement Medical Benefits

PERS employees do not receive post retirement medical benefits.

Note 5. Risk Management

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The Fire District continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Note 5: Subsequent Events

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

STATISTICAL SECTION

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

STATISTICAL INFORMATION

Following is a tabulation of District assessed valuation, tax levies and property tax rates per \$100

<u>Fiscal</u> <u>Year</u>	<u>Assessed</u> <u>Valuations</u>	<u>Total</u> <u>Tax Levy</u>	<u>Property</u> <u>Tax Rate</u>
2017	1,541,763,700.00	674,886.00	0.044
2016	1,530,590,500.00	671,686.00	0.044
2015	1,523,990,800.00	667,186.00	0.044
2014	1,523,979,500.00	655,695.00	0.043
2013	1,526,870,800.00	653,905.00	0.043
2012	1,528,911,700.00 (1)	646,620.00	0.043
2011	961,612,800.00	635,187.00	0.066
2010	957,148,200.00	710,187.00	0.075
2009	958,040,100.00	700,415.00	0.074
2008	952,313,300.00	694,648.00	0.070

(1) Revaluation Year

Debt: Service:

The following tabulation presents the principal and interest requirements for the remaining years on District Debt issued and outstanding.

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$56,675.05	\$3,159.99	\$59,835.04
2019	<u>58,233.60</u>	<u>1,601.44</u>	<u>59,835.04</u>
	<u>\$114,908.65</u>	<u>\$4,761.43</u>	<u>\$119,670.08</u>

Fund Balance:

<u>Fiscal Year Ended:</u>	<u>End of</u> <u>Fiscal Year</u>	<u>Utilized</u> <u>In Budget of</u> <u>Succeeding Year</u>
December 31, 2017	805,563.56	124,500.00
December 31, 2016	587,365.57	4,000.00
December 31, 2015	436,495.52	8,200.00
December 31, 2014	356,023.85	15,000.00
December 31, 2013	564,639.36	306,500.00
December 31, 2012	478,622.23	-
December 31, 2011	373,532.22	-
December 31, 2010	386,625.88	15,000.00
December 31, 2009	390,477.52	20,000.00
December 31, 2008	391,353.80	25,003.00

REQUIRED SUPPLEMENTARY INFORMATION

PART 2

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
District Taxes	\$ 615,050.00	\$ -	\$ 615,050.00	\$ 615,050.96	\$ 0.96
Interest on Investments	300.00	-	300.00	695.19	395.19
Miscellaneous	-	-	-	77.66	77.66
Total Revenues - Local Sources	<u>615,350.00</u>	<u>-</u>	<u>615,350.00</u>	<u>615,823.81</u>	<u>473.81</u>
State Sources:					
Uniform Fire Safety Act	<u>24,500.00</u>	<u>-</u>	<u>24,500.00</u>	<u>23,408.31</u>	<u>(1,091.69)</u>
Total State Sources	<u>24,500.00</u>	<u>-</u>	<u>24,500.00</u>	<u>23,408.31</u>	<u>(1,091.69)</u>
Total Revenues	<u>639,850.00</u>	<u>-</u>	<u>639,850.00</u>	<u>639,232.12</u>	<u>(617.88)</u>
 EXPENDITURES:					
Current Expense:					
Administration:					
Salaries and Wages	28,250.00	500.00	28,750.00	28,689.90	60.10
Employee Benefits	6,600.00	(2,400.00)	4,200.00	4,157.84	42.16
Other Expenses:					
Professional Services	10,000.00	2,000.00	12,000.00	8,907.00	3,093.00
Dues and Memberships	500.00	500.00	1,000.00	962.00	38.00
Elections	800.00	-	800.00	491.50	308.50
Office Supplies	14,000.00	(4,000.00)	10,000.00	5,969.40	4,030.60
Total Administration Other Expenses	<u>25,300.00</u>	<u>(1,500.00)</u>	<u>23,800.00</u>	<u>16,329.90</u>	<u>7,470.10</u>
Total Administration Expenses	<u>60,150.00</u>	<u>(3,400.00)</u>	<u>56,750.00</u>	<u>49,177.64</u>	<u>7,572.36</u>

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (Continued):					
Current Expense Continued):					
Cost of Providing Services:					
Salaries and Wages	\$ 7,000.00	\$ -	\$ 7,000.00	\$ 6,137.88	\$ 862.12
Employee Benefits	4,000.00	2,600.00	6,600.00	6,506.40	93.60
Other Expenses:					
Clothing Allowance	19,000.00	-	19,000.00	19,000.00	
Advertising	1,100.00	-	1,100.00	711.48	388.52
Insurance Premiums	80,400.00	(6,400.00)	74,000.00	67,166.40	6,833.60
Maintenance and Repairs	44,000.00	14,500.00	58,500.00	45,653.42	12,846.58
Other Outside Services	22,000.00	17,000.00	39,000.00	38,967.63	32.37
Medical Physicals	10,000.00	-	10,000.00	760.00	9,240.00
Physical Fitness Program	19,000.00	2,000.00	21,000.00	21,000.00	-
Promotion Expense	2,000.00	8,507.00	10,507.00	10,428.93	78.07
Operating Materials and Supplies	60,000.00	(1,000.00)	59,000.00	58,030.21	969.79
Training and Education	4,000.00	-	4,000.00	1,475.00	2,525.00
Buildings and Grounds	92,700.00	(19,600.00)	73,100.00	41,817.37	31,282.63
Gas & Diesel	6,000.00		6,000.00	2,173.14	3,826.86
Utilities	45,500.00	(14,207.00)	31,293.00	27,636.35	3,656.65
Contingent	2,500.00	-	2,500.00	883.97	1,616.03
Total Cost of Providing					
Services Other Expenses	<u>408,200.00</u>	<u>800.00</u>	<u>409,000.00</u>	<u>335,703.90</u>	<u>73,296.10</u>
Total Cost of Providing Services	<u>419,200.00</u>	<u>3,400.00</u>	<u>422,600.00</u>	<u>348,348.18</u>	<u>74,251.82</u>

**TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017
(CONCLUDED)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual
Current Expense (Continued):					
Uniform Fire Safety Act:					
Salaries and Wages:					
Fire Fighter/Official	\$ 17,000.00	\$ 2,500.00	\$ 19,500.00	\$ 19,627.37	\$ (127.37)
Other Expenses:					
Office Supplies	6,100.00	(1,700.00)	4,400.00	3,150.46	1,249.54
Membership Fees	1,400.00	(800.00)	600.00	630.48	(30.48)
Total UFSA Other Expenses	<u>7,500.00</u>	<u>(2,500.00)</u>	<u>5,000.00</u>	<u>3,780.94</u>	<u>1,219.06</u>
Total Uniform Fire Safety Act	<u>24,500.00</u>	<u>-</u>	<u>24,500.00</u>	<u>23,408.31</u>	<u>1,091.69</u>
Total Current Expense	<u>503,850.00</u>	<u>-</u>	<u>503,850.00</u>	<u>420,934.13</u>	<u>82,915.87</u>
Total Expenditures	<u>503,850.00</u>	<u>-</u>	<u>503,850.00</u>	<u>420,934.13</u>	<u>82,915.87</u>
Excess or (Deficiency) of Revenues Over/(Under) Expenditures	136,000.00	-	136,000.00	218,297.99	82,297.99
Other Financing Sources (Uses):					
Operating Transfers (Out)	<u>(140,000.00)</u>	<u>-</u>	<u>(140,000.00)</u>	<u>(140,000.00)</u>	<u>-</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(4,000.00)	-	(4,000.00)	78,297.99	82,297.99
FUND BALANCE, JANUARY 1	<u>253,765.57</u>	<u>-</u>	<u>253,765.57</u>	<u>253,765.57</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 249,765.57</u>	<u>\$ -</u>	<u>\$ 249,765.57</u>	<u>\$ 332,063.56</u>	<u>\$ 82,297.99</u>
Recapitulation of excess(deficiency) of revenues under expenditures:					
Budgeted Fund Balance	<u>(4,000.00)</u>	<u>-</u>	<u>(4,000.00)</u>	<u>78,297.99</u>	<u>82,297.99</u>
Recapitulation:					
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				124,500.00	
Unassigned Fund Balance				<u>207,563.56</u>	
				<u>332,063.56</u>	

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	Capital Improvement <u>Fund</u>
Fund Balances at Beginning of Year	\$ 333,500.00	\$ 333,500.00
Increased by:		
Operating Transfers In	<u>140,000.00</u>	<u>140,000.00</u>
Fund Balances at End of Year	<u>\$ 473,500.00</u>	<u>\$ 473,500.00</u>

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
AGENCY FUNDS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Reserve for Fire Prevention	\$ 51,773.42	\$ 8,039.29	\$ -	\$ 59,812.71
Revenue Due to General Fund	<u>55,350.16</u>	<u>23,408.31</u>	<u>-</u>	<u>78,758.47</u>
	<u>\$ 107,123.58</u>	<u>\$ 31,447.60</u>	<u>\$ -</u>	<u>\$ 138,571.18</u>

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
LONG TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

<u>Purpose</u>	<u>Amount of Original Issue</u>	<u>Date of Issue</u>	<u>Capital Lease</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2017</u>	<u>Paid In 2017</u>	<u>Balance Dec. 31, 2017</u>
			<u>Outstanding Date</u>	<u>Dec. 31, 2017 Amount</u>				
Acquisition of Fire Apparatus	\$ 275,994.00	5/28/2014	5/28/2018	56,675.05	2.75%	\$ 170,066.85	\$ 55,158.20	\$ 114,908.65
			5/28/2019	58,233.60	2.75%	-	-	-
						<u>\$ 170,066.85</u>	<u>\$ 55,158.20</u>	<u>\$ 114,908.65</u>

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2
COMBINED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 59,836.00	\$ -	\$ 59,836.00	\$ 59,835.04	\$ (0.96)
Total Revenues	<u>59,836.00</u>	<u>-</u>	<u>59,836.00</u>	<u>59,835.04</u>	<u>(0.96)</u>
EXPENDITURES:					
Regular Debt Service:					
Principal on Bonds	55,159.00	-	55,159.00	55,158.20	0.80
Interest on Bonds	<u>4,677.00</u>	<u>-</u>	<u>4,677.00</u>	<u>4,676.84</u>	<u>0.16</u>
Total Regular Debt Service	<u>59,836.00</u>	<u>-</u>	<u>59,836.00</u>	<u>59,835.04</u>	<u>0.96</u>
Total Expenditures	<u>59,836.00</u>	<u>-</u>	<u>59,836.00</u>	<u>59,835.04</u>	<u>0.96</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REPORTS PURSUANT TO
GOVERNMENT AUDITING STANDARDS

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

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

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

The Honorable President and
Members of the Board of Fire Commissioners
Township of Montville Fire District Number 2
County of Morris, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, (the "Division") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Township of Montville Fire District Number 2 in the County of Morris (the "Fire District") as of, and for the year ended, December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements and have issued our report thereon dated April 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Montville Fire District Number 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Fire District's Response to the Findings

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

Purpose of this Report

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

Ferraioli, Wielkatz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

April 27, 2018

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Summary of Auditor's Results:

- The Independent Auditor's Report expressed an unmodified opinion on the Fire District's governmental activities financial statements.
- Significant deficiencies were disclosed during the audit of financial statements as reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported
- No instances of noncompliance material to the financial statements of the Fire District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

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

Finding 2017-01

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

Management Response:

The finding 2017-01 was evaluated. The Fire District was made aware of this lack of internal control and will consider strengthening internal control within reason of the costs, benefits derived and budgetary constraints.

TOWNSHIP OF MONTVILLE
FIRE DISTRICT NUMBER 2

**SUMMARY SCHEDULE OF
PRIOR-YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOT APPLICABLE

GENERAL COMMENTS
AND RECOMMENDATIONS

GENERAL COMMENTS

N.J.S. 40A:11-3 states:

- a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, or \$21,000 after July 1, 2005, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsection b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

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

EXAMINATION OF CLAIMS

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

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

RECOMMENDATIONS

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

APPRECIATION

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

Respectfully submitted,

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

April 27, 2018