

**FIRE DISTRICT NO. 3
OF THE TOWNSHIP OF MARLBORO**

Financial Statements and Supplementary Information

For the year ended December 31, 2022

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Financial Statements and Supplementary Information

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INDEPENDENT AUDITOR’S REPORT

Board of Fire Commissioners
Fire District No. 3 of the Township of Marlboro
County of Monmouth
Marlboro, New Jersey

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 3 of the Township of Marlboro, County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Fire District No. 3 of the Township of Marlboro’s, basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 3 of the Township of Marlboro, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States, and in compliance with audit standards prescribed by the Local Financial Board and by the Division of Local Government Service, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fire District No. 3 of the Township of Marlboro, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fire District No. 3 of the Township of Marlboro’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 3 of the Township of Marlboro's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fire District No. 3 of the Township of Marlboro's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the

basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

Prior period adjustment

As discussed in Note 13 to the financial statements, during the year ended December 31, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **February 12, 2024** on our consideration of Fire District No. 3 of the Township of Marlboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 3 of the Township of Marlboro's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

February 12, 2024

Lakewood, New Jersey



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

To the Board of Fire Commissioners
Fire District No. 3 of the Township of Marlboro
County of Monmouth
Marlboro, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 3 of the Township of Marlboro, County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Fire District No. 3 of the Township of Marlboro's basic financial statements, and have issued our report thereon dated February 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 3 of the Township of Marlboro's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 3 of the Township of Marlboro's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 3 of the Township of Marlboro's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the General Comments and Recommendations as item 2022-001, that we consider a *material weakness*.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 3 of the Township of Marlboro's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express

such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompany General Comments and Recommendations as finding 2022-001, 2022-002 and 2022-003.

Fire District No. 3 of the Township of Marlboro’s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Fire District No. 3 of the Township of Marlboro’s, response to the findings identified in our audit and described in the accompanying schedule of General Comments and Recommendations. Fire District No. 3 of the Township of Marlboro’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

February 12, 2024
Lakewood, New Jersey

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

As management of the Fire District No. 3 of the Township of Marlboro (hereafter referred to as the District) offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended, December 31, 2022. The intent of this narrative is to look at the District's overall financial performance in terms easily understood by the layperson. Please read this in conjunction with the District's financial statements which begin on page 13. Notes to the financial statements will provide the reader with additional useful information and they begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2022 by approximately \$4,376,000. During, 2021 the excess of assets and over liabilities was approximately \$4,373,400. This is an increase of approximately \$2,600.
- During 2022 the District operated at a surplus of approximately \$2,600. During 2021 the Fire District operated at a surplus of approximately \$130,700. This is a decrease of approximately \$128,100.
- As described in Note 13 to the financial statements, *Prior Period Adjustment*, the District has adopted the provisions of GASB Statement to No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68*, for the year ended December 31, 2022. The adoption of this principle resulted in a restatement of the District's opening net position balance as of January 1, 2021 in the amount of \$276,000, as indicated in Note 13 to the financial statements. Prior year balances reflected in the MD&A have been updated, for comparison purposes, to reflect the change where indicated.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The District's basic financial statements are comprised of three components: district wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 8. District wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The district wide statement of net position presents information on all the assets and liabilities of the District. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The district wide statement of activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district wide financial statements report on the financial data by function. The District has two basic functions: activities that are supported by property taxes, and activities supported by other governmental activities. The District provides firefighting services to the citizens within the jurisdiction of Fire District No. 3 in the Township of Marlboro, New Jersey.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the District uses fund accounting to document compliance with finance-related legal matters. the District has one type of fund, which is the governmental fund.

Governmental Funds

The District's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can 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 that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

The District maintains two separate governmental funds; the General Fund, and Capital Projects Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund.

The relationship (or differences) between governmental activities (reported in the district wide statement of net position and the district wide statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by *N.J.S.A. 40A:14:78-3*, the District adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district wide and fund financial statements. The notes to the financial statements are an integral part of the financial statements.

DISTRICT WIDE FINANCIAL ANALYSIS

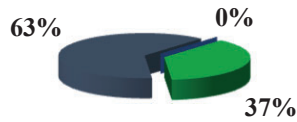
The District's net position is a useful indicator of the District's financial condition. At the end of 2022, the District's assets exceeded its liabilities and deferred inflows of resources by approximately \$4,376,000. The largest portion of The District's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. The District's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
DISTRICT WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021**

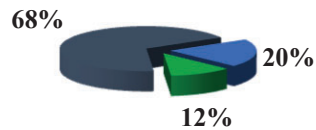
	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Current and noncurrent assets	\$ 3,066,577	\$ 3,266,339	\$ (199,762)	(6.12%)
Capital assets, net	2,749,504	2,773,630	(24,126)	(0.87%)
Total assets	<u>5,816,081</u>	<u>6,039,969</u>	<u>(223,888)</u>	<u>(3.71%)</u>
Total liabilities	<u>(1,440,073)</u>	<u>(1,666,598)</u>	<u>226,525</u>	<u>(13.59%)</u>
Net position	<u>\$ 4,376,008</u>	<u>\$ 4,373,371</u>	<u>\$ 2,637</u>	0.06%
Analysis of net position				
Invested in capital assets, net of related debt	\$ 2,749,504	\$ 2,773,630	\$ (24,126)	(0.87%)
Restricted for:				
Capital projects	-	820,751	(820,751)	(100.00%)
Unrestricted	<u>1,626,504</u>	<u>778,990</u>	<u>847,514</u>	<u>108.80%</u>
Total net position	<u>\$ 4,376,008</u>	<u>\$ 4,373,371</u>	<u>\$ 2,637</u>	0.06%

2022 Net Position



- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Unrestricted

2021 Net Position



- Invested in Capital Assets, Net of Related Debt
- Restricted for Capital
- Unrestricted

The net position of the District increased approximately \$2,600 as a result of a current year surplus. In 2022 the capital assets decreased by approximately \$24,100 after depreciation expense.

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

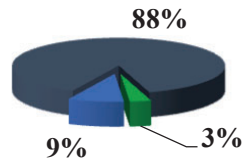
Governmental Activities

The district wide statement of activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
DISTRICT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022 AND 2021**

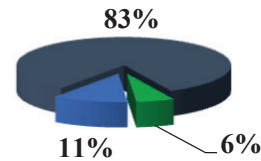
	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Expenses:				
Program expenses:				
Administrative expenses	\$ 122,540	\$ 139,543	\$ (17,003)	(12.18%)
Cost of operations and maintenance	1,279,775	1,022,314	257,461	25.18%
Length of service awards program contribution	46,904	71,353	(24,449)	(34.26%)
Total program expenses	<u>\$ 1,449,219</u>	<u>\$ 1,233,210</u>	<u>\$ 216,009</u>	17.52%

2022 Program Expenses



- Administrative
- Cost of Operations
- Length of Service Awards Program

2021 Program Expenses

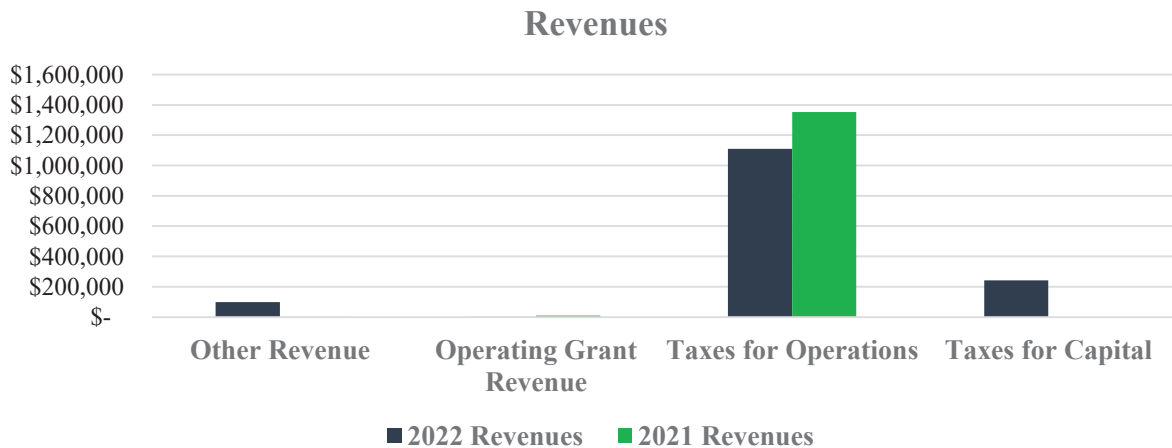


- Administrative
- Cost of Operations
- Length of Service Awards Program

DISTRICT WIDE FINANCIAL ANALYSIS (continued)

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
DISTRICT WIDE STATEMENT OF ACTIVITIES (continued)
YEAR ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
General revenues:				
Property taxes levied for:				
General purposes	\$ 1,110,274	\$ 1,352,247	\$ (241,973)	(17.89%)
Capital purchases	242,000	-	242,000	100.00%
Total property taxes levied	<u>1,352,274</u>	<u>1,352,247</u>	<u>27</u>	0.00%
Other revenue	97,677	1,654	96,023	5805.50%
Operating grant revenue	<u>1,905</u>	<u>10,024</u>	<u>(8,119)</u>	<u>(81.00%)</u>
Total general revenues	1,451,856	1,363,925	87,931	6.45%
Increase in net position	2,637	130,715	(128,078)	(97.98%)
Net position, January 1	<u>4,373,371</u>	<u>4,242,656</u>	<u>130,715</u>	3.08%
Net position, December 31	<u>\$ 4,376,008</u>	<u>\$ 4,373,371</u>	<u>\$ 2,637</u>	0.06%



Property tax revenue constituted 93% of the total governmental activities revenues received by the District in 2022 and 2021, respectively.

The Cost of Operations & Maintenance comprised 88% and 83% of the District's total expenses in 2022 and 2021, respectively. Administration expenses comprised 8% and 11% of the total expenses in 2022 and 2021, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

The District uses fund accounting to document compliance with finance-related legal requirements.

Governmental Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2022, the combined balance of the governmental cash funds of the District was approximately \$1,803,200. This balance is approximately \$78,500 higher than last year's combined governmental funds balance.

The combined fund balance of the governmental funds of the District was approximately \$2,861,300. Of that total, funds of approximately, \$1,234,800 have been restricted for investment in length of service awards program, \$1,301,500 is assigned for subsequent year's expenditures, and \$325,100 is unassigned.

The general fund is the main operating fund of the District. At the end of 2022, the total fund balance of the general fund was approximately \$1,798,500. Of this balance, approximately \$325,100 of it was unassigned.

At the end of 2022 the general fund balance of the District decreased by approximately (\$472,500). The primary reason for this decreased are as follows:

- The Board recognized expenses in excess of revenues of approximately (\$472,500).

At the end of 2022 the capital projects fund balance of the District increased by approximately \$242,000. The primary reason for this increased are as follows:

- The Board recognized revenues in excess of expenses of approximately \$242,000.

General Fund Budgetary Highlights

The 2022 Budget had a deficit in revenues and the District required the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

- The District recognized actual revenues in excess of budgeted revenues of approximately \$99,600 in 2022.
- Overall, the District's expenditures were approximately \$113,800 less than originally anticipated in the operating budget for 2022.

CAPITAL ASSETS

As of December 31, 2022 the District had invested in capital assets for government activities of approximately \$2,749,500 (net of accumulated depreciation). Capital assets consist of land, construction in progress, apparatus and vehicles, building and improvement, land improvements, and equipment.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>	<u>\$ Increase (Decrease)</u>
Capital Assets:			
Non-depreciable:			
Land	\$ 356,699	\$ 356,699	\$ -
Construction in progress	68,884	276,031	(207,147)
Total non-depreciable assets	<u>425,583</u>	<u>632,730</u>	<u>(207,147)</u>
Depreciable:			
Apparatus and vehicles	\$ 4,601,983	\$ 4,601,983	\$ -
Buildings and improvements	330,853	-	330,853
Land improvements	85,273	85,273	-
Equipment	704,396	599,960	104,436
Total capital assets	<u>6,148,088</u>	<u>5,919,946</u>	<u>228,142</u>
Accumulated depreciation	<u>(3,398,584)</u>	<u>(3,146,316)</u>	<u>(252,268)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,749,504</u>	<u>\$ 2,773,630</u>	<u>\$ (24,126)</u>

Additional information on the District's capital assets can be found in Note 6 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District introduced their 2023 budget on November 22, 2022. The voters subsequently voted to approve the budget at the February election. The 2023 adopted budget reflects an increase in the tax levy of \$309,526, in which the Board anticipates an increase to the fire tax rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District's finances and to demonstrate the District's accountability for the money it receives. If you have any question about this report or need any additional information, contact the Fire District in writing, at P.O. Box 69, Morganville, New Jersey 07751.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
District Wide Statement of Net Position
December 31, 2022

	Governmental Activities
Assets:	
Current assets:	
Cash (Note 3)	\$ 1,803,154
Prepaid assets	28,642
Total current assets	1,831,796
Noncurrent assets:	
Investment in length of service awards program:	
at fair value (Note 4)	716,444
at contract value (Note 5)	518,337
Total investment in length of service awards program	1,234,781
Total noncurrent assets	1,234,781
Capital assets, net:	
Non-depreciable (Note 6)	425,583
Depreciable (Note 6)	2,323,921
Total capital assets	2,749,504
Total assets	\$ 5,816,081
Liabilities:	
Current liabilities:	
Accounts payable	\$ 205,292
Total current liabilities	205,292
Noncurrent liabilities:	
Investment in length of service awards program liability (Note 7)	1,234,781
Total noncurrent liabilities	1,234,781
Total liabilities	1,440,073
Net position:	
Net investment in capital assets	2,749,504
Unrestricted	1,626,504
Total net position	4,376,008
Total liabilities and net position	\$ 5,816,081

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
District Wide Statement of Activities
For the year ended December 31, 2022

	<u>Expenses</u>	<u>Total Governmental Activities</u>
Operating appropriations:		
Administration	\$ 122,540	\$ 122,540
Costs of operations and maintenance	1,279,775	1,279,775
Length of service awards program expense	46,904	46,904
Total operating appropriations	<u>\$ 1,449,219</u>	1,449,219
General revenues:		
Miscellaneous revenue		97,677
Operating grant revenues		1,905
Amount raised by taxation		<u>1,352,274</u>
Total general revenues		<u>1,451,856</u>
Change in net position		2,637
Net position, January 1, unadjusted		4,097,371
Prior period adjustment (Note 13)		<u>276,000</u>
Net position, January 1, restated		<u>4,373,371</u>
Net position, December 31		<u><u>\$ 4,376,008</u></u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Governmental Funds
Balance Sheet
December 31, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Current assets:			
Cash	\$ 1,803,154	\$ -	\$ 1,803,154
Prepaid assets	28,642	-	28,642
Other receivables	-	1,062,751	1,062,751
Total assets	<u>1,831,796</u>	<u>1,062,751</u>	<u>2,894,547</u>
Noncurrent assets:			
Investment in length of service awards program	<u>1,234,781</u>	-	<u>1,234,781</u>
Total noncurrent assets	<u>1,234,781</u>	-	<u>1,234,781</u>
Total assets	<u>\$ 3,066,577</u>	<u>\$ 1,062,751</u>	<u>\$ 4,129,328</u>
Liabilities, equity and other credits:			
Accounts payable	\$ 205,292	\$ -	\$ 205,292
Other payable	<u>1,062,751</u>	-	<u>1,062,751</u>
Total liabilities	<u>1,268,043</u>	-	<u>1,268,043</u>
Fund balances			
Restricted for:			
Investment in length of service awards program	1,234,781	-	1,234,781
Assigned for:			
Subsequent year's expenditures	238,700	1,062,751	1,301,451
Unassigned, reported in:			
General fund	<u>325,053</u>	-	<u>325,053</u>
Total fund balance	<u>1,798,534</u>	<u>1,062,751</u>	<u>2,861,285</u>
Total liabilities and fund balance	<u>\$ 3,066,577</u>	<u>\$ 1,062,751</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.	2,749,504
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(1,234,781)</u>
Total net position of governmental activities	<u>\$ 4,376,008</u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Miscellaneous anticipated revenue:			
Investment income - unrestricted cash and investments	\$ 10,150	\$ -	\$ 10,150
Other revenue	87,527	-	87,527
Total miscellaneous revenues	<u>97,677</u>	<u>-</u>	<u>97,677</u>
Operating grant revenue:			
Supplemental fire service grant	1,905	-	1,905
Total operating grant revenue	<u>1,905</u>	<u>-</u>	<u>1,905</u>
Total revenues	<u>99,582</u>	<u>-</u>	<u>99,582</u>
Amount raised by taxation to support district budget	<u>1,110,274</u>	<u>242,000</u>	<u>1,352,274</u>
Total anticipated revenues	<u>1,209,856</u>	<u>242,000</u>	<u>1,451,856</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	42,000	-	42,000
Other expenditures:			
Elections	3,117	-	3,117
Professional services	75,000	-	75,000
Office and other administrative expenses	2,423	-	2,423
Total administration	<u>122,540</u>	<u>-</u>	<u>122,540</u>
Cost of operations and maintenance:			
Fringe benefits	3,228	-	3,228
Other expenditures:			
Advertising	476	-	476
Maintenance and repairs	236,749	-	236,749
Fire Protection	63,000	-	63,000
Training and education	9,674	-	9,674
Utilities	42,774	-	42,774
Communications	8,050	-	8,050
Insurance	151,170	-	151,170
Fire hydrant rentals	380,713	-	380,713
Contingencies	860	-	860
Non-bondable assets	328,047	-	328,047
Professional Services	32,297	-	32,297
Total cost of operations and maintenance	<u>1,257,038</u>	<u>-</u>	<u>1,257,038</u>
Length of service awards program:			
Depreciation in the value of investments	206,892	-	206,892
Participant withdrawals	95,924	-	95,924
Total length of service awards program	<u>302,816</u>	<u>-</u>	<u>302,816</u>
Total operating appropriations	<u>1,682,394</u>	<u>-</u>	<u>1,682,394</u>
Excess (efficiency) of revenues over (under) expenditures	<u>(472,538)</u>	<u>242,000</u>	<u>(230,538)</u>
Fund balance, January 1, unadjusted	504,379	820,751	1,325,130
Prior period adjustment (Note 13)	1,766,693	-	1,766,693
Fund balance, January 1, restated	<u>2,271,072</u>	<u>820,751</u>	<u>3,091,823</u>
Fund balance, December 31	<u>\$ 1,798,534</u>	<u>\$ 1,062,751</u>	<u>\$ 2,861,285</u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to
the District Wide Statement of Activities
December 31, 2022

Total net changes in Fund Balance - Governmental Funds (B-2) \$ (230,538)

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

Certain activity related to length of service awards program (LOSAP) is not reported in governmental funds, whereas such activity is a component of the investment in length of service awards program payable reported on the district wide statement of net position.

Length of service awards program contribution	(46,904)	
Depreciation in the value of length of service awards program	206,892	
Participant withdrawals	95,924	
		255,912

Capital Outlays are reported in governmental funds as expenditures. However, in the district wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay - General Fund	228,142	
Depreciation expense	(252,268)	
		(24,126)

Certain expenditures that benefit a future period are reported in the district wide statement as expenditures. However, in the governmental funds these expenditures are expensed when they occur.

	1,389
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Changes in net position of governmental activities	\$ 2,637
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The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements

NOTE 1: GENERAL INFORMATION

Description of Reporting Entity

Fire District No. 3 of the Township of Marlboro (hereafter referred to as the District) is a political subdivision of the Township of Marlboro, County of Monmouth, State of New Jersey (the State). A board of five commissioners (the Board) oversees all of the operations of the District. The length of each commissioner’s term is three years with the annual election held the third Saturday of February.

Fire Districts are governed by the *N.J.S.A. 40A: 14-70 et al.* and are taxing authorities charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location.

The primary criterion for including activities within the District’s reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the District holds the corporate powers of the organization;
- the District appoints a voting majority of the organization’s board;
- the District is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the District;
- there is a fiscal dependency by the organization on the District.

According to the criteria above, there were no additional entities required to be included in the reporting entity. Furthermore, the District is not includable in any other reporting entity based on such criteria.

District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2022:

<u>Officials</u>	<u>Term Expires:</u> <u>March</u>
John Boyce Jr.	2025
Robert Cromer	2024
Derek Deluca	2026
Robert Holmes	2025
Ian Thompson	2024

Accounting Records

The official accounting records of the District are maintained in the office of the District.

Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 1: GENERAL INFORMATION (continued)

Component Units

GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units*. The District had no component units as of and for the year ended December 31, 2022.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of *N.J.A.C. 5:31-7-1*. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The district wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2: *Fire District Taxes*) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Fund Accounting

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Governmental Funds:

General Fund

The General Fund is the general operating fund of the District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as firefighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and firefighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

District Wide and Fund Financial Statements

District Wide Financial Statements

The district wide financial statements (A-1 and A-2) include the district wide statement of net position and the district wide statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the district wide statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees. The district wide statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The fund financial statements provide detail of the governmental funds.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which is recorded when due.

Budgets and Budgetary Accounting

The District must adopt an annual budget in accordance with *N.J.S.A. 40A: 14-78.1 et al.*

The fire commissioners must introduce and adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the District budget in accordance with *N.J.S.A 40A: 14-78.3*. The budget may be amended subsequent to its final adoption and approval for additional items of revenue with offsetting appropriations in accordance with *N.J.S.A 40A: 14-78.5*. Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Districts general-purpose financial statements.

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The District did not have encumbrances as of December 31, 2022.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. Fire Districts are required by *N.J.S.A. 40A: 5-14* to deposit public funds in a bank or trust company having its place of business in the State organized under the laws of the United States or of the State or with the New Jersey Cash Management Fund. *N.J.S.A. 40A: 5-15.1* provides a list of investments that may be purchased by fire districts. *N.J.S.A. 17:9-42* requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision 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 the State of New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If 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.

Prepaid Expenses

Prepaid expenses that benefit future periods are recorded as an expenditure during the year of purchase.

Debt Limitation

N.J.S.A.40A:14-84 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

Capital Assets

Capital assets, which include fire equipment and vehicles and apparatus are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$5,000. Depreciation is recorded on the straight-line method (with half year depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

<u>Description:</u>	<u>Useful Lives</u>
Land	N/A
Construction in progress	N/A
Apparatus and vehicles	10 – 25 Years
Building and improvements	40 Years
Equipment	5 – 10 Years
Land improvements	15 – 20 Years

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Receivable/Payable

Other receivables and payables are interfunds receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

Revenues and Expenditures – Governmental Funds

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when qualifying expenditures are incurred.

Expenditures are recorded when the related liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when due.

Fire District Taxes

Upon proper certification to the assessor of the municipality in which the District is located, the assessor shall assess the amount of taxes to be realized in support of the District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all monies assessed; on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

Fund Equity

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District 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.
- 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 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 Board.
- Unassigned – includes balance within the General Fund which has not been classified within the aforementioned categories and negative fund balances in other governmental funds.

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Use of Estimates

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

Impact of Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after June 15, 2021. The District adopted this statement in the current year. The implementation of this statement did not have a material impact on the District's financial statements and related disclosures.

Investments

Investments are reported at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value). Contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP Plan.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board determines the valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See Note 4: *Investments Held at Fair Value* and Note 5: *Investments Held at Contract Value*, respectively.

Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2022 through the date of February 12, 2024, which is the date the financial statements were available to be issued. See note 14, for more information.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 3: CASH

The District is governed by the deposit and investment limitations of State law. The deposits and investments held at December 31, 2022, and reported at fair value are as follows:

Type:	Carrying Value
Deposits:	
Demand deposits	\$ 1,802,954
Petty cash	200
Total deposits	\$ 1,803,154
Reconciliation to the Governmental Fund Statements:	
Current assets:	
Cash	\$ 1,803,154
Total	\$ 1,803,154

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2022, the District's bank balance of \$1,881,707 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	1,631,707
Total	\$ 1,881,707

NOTE 4: INVESTMENTS HELD AT FAIR VALUE

Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 4: INVESTMENTS HELD AT FAIR VALUE (continued)

Investment Interest Rate Risk (continued)

- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the District or bonds or other obligations of the local unit or units within which the District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value. The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Registered Investment Companies – Investments in registered investment companies consist of shares of mutual funds that are valued at quoted market prices which represent the net asset value (NAV) of shares held by the Plan at year-end.

Money Market Fund – Valued at the quoted NAV of shares held by the Plan at year-end.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 4: INVESTMENTS HELD AT FAIR VALUE (continued)

Fair Value Measurement (continued)

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the LOSAP Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth by level, within the value hierarchy, the District's investments at fair value at December 31, 2022.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<i>Registered investment companies</i>	\$ 508,274	\$ -	\$ -	\$ 508,274
<i>Money Market Funds</i>	208,170	-	-	208,170
Total investments at fair value	<u>\$ 716,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 716,444</u>

NOTE 5: INVESTMENTS HELD AT CONTRACT VALUE

The District held a fully benefit-responsive investment contract with the AIG Retirement Service (AIG) totaling \$518,337 as of December 31, 2022. AIG maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP Plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer's ability to meet its financial obligations. The fixed account continues in-force until they are terminated by AIG or the LOSAP Plan. For this reason, such contracts are referred to as "evergreen" contracts and do not define a maturity date. No events are probable of occurring which might limit the ability of the LOSAP Plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP Plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value (See Note 2: Investments).

NOTE 6: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for fire districts, and the *N.J.S.A. 40A: 14-85-87* governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase firefighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the District upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger. Capital assets consisted of the following at December 31, 2022:

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 6: CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 356,699	\$ -	\$ -	\$ 356,699
Construction in progress	276,031	123,706	(330,853)	68,884
Total non-depreciable assets	<u>632,730</u>	<u>123,706</u>	<u>(330,853)</u>	<u>425,583</u>
Depreciable assets:				
Apparatus and vehicles	4,601,983	-	-	4,601,983
Building and improvements	-	330,853	-	330,853
Equipment	599,960	104,436	-	704,396
Land improvements	85,273	-	-	85,273
Total depreciable assets	<u>5,287,216</u>	<u>435,289</u>	<u>-</u>	<u>5,722,505</u>
Total capital assets	<u>5,919,946</u>	<u>558,995</u>	<u>(330,853)</u>	<u>6,148,088</u>
Less: accumulated depreciation:				
Apparatus and vehicles	(2,692,247)	(186,864)	-	(2,879,111)
Building and improvements	-	(8,271)	-	(8,271)
Equipment	(448,936)	(50,945)	-	(499,881)
Land improvements	(5,133)	(6,188)	-	(11,321)
Total accumulated depreciation	<u>(3,146,316)</u>	<u>(252,268)</u>	<u>-</u>	<u>(3,398,584)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,773,630</u>	<u>\$ 306,727</u>	<u>\$ (330,853)</u>	<u>\$ 2,749,504</u>

NOTE 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2022, the following changes occurred in long-term obligations:

	<u>Beginning Balance</u>	<u>Accrued/ increases</u>	<u>(Retired)/ (decreases)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Length of service awards program payable	\$ 1,490,693	\$ 46,904	\$ (302,816)	\$ 1,234,781	\$ -
Total	<u>\$ 1,490,693</u>	<u>\$ 46,904</u>	<u>\$ (302,816)</u>	<u>\$ 1,234,781</u>	<u>\$ -</u>

Length of Service Awards Program

For details on the length of service awards program liability, refer to Note 8: *Length of Service Awards Program*. The District's annual required contribution to the length of service awards program is budgeted and paid from the general fund on an annual basis.

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM

The District's length of service awards program ("LOSAP"), which is reported in the District's general fund, pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

The tax deferred income benefits for the active volunteer firefighters serving the residents the Township of Marlboro come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of a LOSAP Plan created by that governing body. Participants should refer to the LOSAP Plan agreement for a more complete description of the LOSAP Plan's provisions.

Contributions

If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,804 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (*N.J.S.A. 40A:14-185(f)*).

The Division of Local Government Services of the State will issue the permitted maximum annually. The District elected to contribute \$1,804 for the year ended December 31, 2022, per eligible volunteer, into the LOSAP Plan. During the year ended December 31, 2022, the District contributed a total of \$46,904 to the LOSAP Plan. Participants direct the investment of the contributions into various investment options offered by the LOSAP Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the LOSAP Plan. The types of investment options, and the administering of such investments, rests solely with the LOSAP Plan administrator.

Participant Accounts

Each participant's account is credited with the District's contribution and LOSAP Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the LOSAP Plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the LOSAP Plan Administrator. AIG (Plan Administrator), an approved LOSAP program provider, is the administrator of the LOSAP Plan. The District's practical involvement in administering the LOSAP Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the LOSAP Plan Administrator.

Vesting

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2022, the total vested to participants was \$95,924.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Forfeited Accounts

There were no forfeited amounts during the year ended December 31, 2022.

Investments

The investments of the LOSAP Plan are reported on the governmental funds balance sheet are recorded at fair and contract value (See Note 2: *Investments*).

Plan Information

Additional information about the District’s LOSAP Plan can be obtained by contacting the LOSAP Plan Administrator.

NOTE 9: CONCENTRATIONS

A significant source of revenue for the District comes from its ability to levy property taxes (see Note 2 for detail on property taxes). The ability to levy property taxes, and the limits to which property taxes can be levied, are promulgated by State statute. As a result of this dependency, the District’s operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

NOTE 10: FUNDING

The activities of the District are primarily funded by the striking of the fire tax on the property owners of the District, as provided for by the state statute. For the year ended December 31, 2022, the fire tax rate on the District was approximately \$.058 per \$100 of assessed valuation. The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$1,905.

NOTE 11: OTHER RECEIVABLES AND PAYABLES

Other receivable/payable is used as interfunds for short-term borrowing. As of December 31, 2022, the following interfund balances remained on the balance sheet:

Fund	Interfund receivable	Interfund payable
General	\$ -	\$ 1,062,751
Capital projects	1,062,751	-
Total	\$ 1,062,751	\$ 1,062,751

Interfund receivables/payables represent 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. As previously mentioned, these amounts are eliminated in the district wide statement of net position, except for the net residual amounts due between governmental and district wide financial statements, which are presented as internal balances in the district wide statement of net position.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 12: FUND BALANCE

Restricted

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the District's fund balance are summarized as follows:

General Fund

Length of Service Awards Program (LOSAP) – Pursuant to *N.J.S.A. 40A:14-187*, all accumulated proceeds shall remain restricted for the volunteer members. As a result, there exists at December 31, 2022 a restricted fund balance in the amount of \$1,234,781 for future benefit payments of volunteers.

Assigned

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures – The District has appropriated and included as anticipated revenue for the year ending December 31, 2023, \$238,700 of general fund balance a December 31, 2022.

Capital Projects Fund

For Subsequent Year's Expenditures – The District has appropriated and included as anticipated revenue for the year ending December 31, 2023, \$1,062,751 of capital projects fund balance at December 31, 2022.

Unassigned

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The District's unassigned fund balance is summarized as follows:

General Fund – As of December 31, 2022, \$325,053 of general fund balance was unassigned.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to Financial Statements (continued)

NOTE 13: PRIOR PERIOD ADJUSTMENT

Net position as of January 1, 2021, has been restated as follows for the implementation of GASB Statement 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*. Net position and General Fund, fund balance were restated as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds</u> <u>General Fund</u>
Net Position / Fund Balance as previously reported at December 31, 2021	\$ 4,097,371	\$ 504,379
Prior period adjustment - Implementation of GASB 73:		
Addition of length of service awards program non-current asset	1,490,693	1,490,693
Addition of length of service awards program liability	(1,214,693)	-
Removal of length of service awards program reserve	-	276,000
Total prior period adjustment	<u>276,000</u>	<u>1,766,693</u>
Net Position / Fund Balance as restated January 1, 2021	<u>\$ 4,373,371</u>	<u>\$ 2,271,072</u>

NOTE 14: SUBSEQUENT EVENT

On August 23, 2023, the District entered into a finance purchase with Community First National Bank agreement for one (1) Rosenbauer Pumper Tanker, in the amount of \$1,200,000. Additionally, in December, 2023 the District entered into a finance purchase agreement with the Township of Marlboro for communication equipment in the amount of \$292,680.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Budgetary Comparison Schedule
For the year ended December 31, 2022

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Interest revenue	\$ -	\$ -	\$ 10,150	\$ 10,150
Other revenue	-	-	87,527	87,527
Total miscellaneous revenues	-	-	97,677	97,677
Operating grant revenue:				
Supplemental fire service grant	-	-	1,905	1,905
Total operating grant revenue	-	-	1,905	-
Total revenues	-	-	99,582	97,677
Amount raised by taxation to support district budget	1,352,274	1,352,274	1,352,274	-
Total anticipated revenues	1,352,274	1,352,274	1,451,856	99,582
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	50,000	50,000	42,000	8,000
Other expenditures:				
Elections	3,000	3,000	3,117	(117)
Professional services	75,000	75,000	75,000	-
Office and other administrative expenses	2,000	2,000	2,423	(423)
Total administration	130,000	130,000	122,540	7,460
Cost of operations and maintenance:				
Fringe benefits	5,000	5,000	3,228	1,772
Other expenditures:				
Advertising	2,500	2,500	476	2,024
Maintenance and repairs	185,000	185,000	236,749	(51,749)
Memberships and dues	2,000	2,000	-	2,000
Fire Protection	65,000	65,000	63,000	2,000
Training and education	25,000	25,000	9,674	15,326
Material and supplies	2,000	2,000	-	2,000
Utilities	40,000	40,000	42,774	(2,774)
Communications	15,000	15,000	8,050	6,950
Insurance	138,800	138,800	151,170	(12,370)
Fire hydrant rentals	375,000	375,000	380,713	(5,713)
Contingencies	13,000	13,000	860	12,140
Non-bondable assets	220,000	220,000	328,047	(108,047)
Professional Services	20,000	20,000	32,297	(12,297)
Total cost of operations and maintenance	1,108,300	1,108,300	1,257,038	(148,738)
Capital appropriations	242,000	242,000	-	242,000
Length of service award program	60,000	60,000	46,904	13,096
Total operating appropriations	1,540,300	1,540,300	1,426,482	113,818
Excess (deficiency) of revenues under (over) expenditures	(188,026)	(188,026)	25,374	213,400
Fund balance, January 1, unadjusted	1,325,130	1,325,130	1,325,130	-
Prior period adjustment (Note 13)	-	-	276,000	276,000
Fund balance, January 1, restated	1,325,130	1,325,130	1,601,130	276,000
Fund balance, December 31	\$ 1,137,104	\$ 1,137,104	\$ 1,626,504	\$ 213,400
RECAPITULATION OF FUND BALANCE				
Restricted fund balance:				
Designated for subsequent year's expenditures - Capital Projects Fund			\$ 1,062,751	
Designated for subsequent year's expenditures - General Fund			238,700	
Unassigned fund balance			325,053	
Total - budgetary basis			1,626,504	
Reconciliation to governmental fund statements:				
Length of service award program investment balance not recognized on the budgetary basis			1,234,781	
Total fund balance per governmental funds			\$ 2,861,285	

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF MARLBORO
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2022

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,451,856
Difference from Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting.	
Appreciation in value of investments	<u>-</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,451,856</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) Operating Appropriations	
From the Budgetary Comparison Schedule (C-1)	\$ 1,426,482
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the LOSAP Plan.	
Length of service awards program contribution	(46,904)
Depreciation in value of investments	206,892
Participant withdrawals	<u>95,924</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,682,394</u>



Board of Fire Commissioners
Fire District No. 3 of the Township of Marlboro
County of Monmouth
Marlboro, New Jersey

We have audited the basic financial statements of the Fire District No. 3 of the Township of Marlboro, (hereafter referred to as the District), County of Monmouth, State of New Jersey for the year ended December 31, 2022. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (*N.J.S.A.40A:11-4*)

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

It is pointed out that the Commissioners of the District have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts, or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*), the supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was performed.

Examination of Bills

A test check of paid bills was performed and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

Capital Assets

The Capital Asset subledger was not maintained properly and a reconciliation between the governmental activities and government funds not performed at year-end, see finding 2022-001 for additional information.

Budget Adoption

The State of New Jersey requires that the District's operating and capital budgets be approved and adopted for each fiscal year. The District approved the operating budget on December 13, 2021 and adopted the operating budget on January 10, 2022.

Current Year Findings:

Finding 2022-001 General Ledger Maintenance

The District does not currently have a formal close process and does not maintain its general ledger in accordance with generally accepted accounting principles (GAAP). We specifically noted the following issues:

Formal Close Process

Deficiency: The financial information for the year ended December 31, 2022, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments. Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Cause: The District had not prepared or reviewed certain accounting reconciliations to support trial balance, general ledger and/or financial statement amounts.

HFA Recommendation: We recommend the District implement a formalized closing process at least on an annual basis for all financial statement areas. The close process should include an in-depth analysis of all significant accounts, including recording all prior-year audit entries. All significant accounts should have supporting schedules that are prepared and reviewed by separate individuals within the District to ensure proper segregation of duties. Furthermore, supporting schedules should agree to the corresponding general ledger accounts. Implementation of these recommendations will improve financial reporting processes and internal controls of the District and result in a financial close with minimal proposed adjusting entries.

Management's response: Management will ensure proper segregation of duties and enhanced oversight, providing improved internal controls. Financial procedures and standard operating procedures will be revised, formalized and put into place.

Capital Assets and Construction in Progress Tracking

Deficiency: Our review of the District's capital asset records, it was noted that capital assets and projects had not been correctly recorded in the District's records. Additionally, it was also noted that there were assets recorded on the District's records that were no longer in use.

Cause: The District had not prepared or reviewed the District's capital asset support prior to the financial information being turned over for audit.

HFA Recommendation: A complete appraisal of capital assets, should be performed, which will be the best and most efficient method for developing an accurate listing of all capital assets. Additionally, the District should develop policies and procedures for tracking capital assets and construction in progress additions and deletions to ensure an accurate accounting for capital assets. Specifically, the listing should include the following data:

- Description of the asset;
- Cost, voucher number, and vendor name;
- Date placed in service;
- Estimated useful life;
- Depreciation method;
- Depreciation expense and accumulated depreciation for the year; and
- Date asset was retired and selling price if applicable.

Management's response: Management will ensure proper segregation of duties and enhanced oversight, providing improved internal controls. Financial procedures and standard operating procedures will be revised, formalized, and put into place.

Finding 2022-002 Lateness in Filing of Audited Financial Statements

Deficiency: The timeliness of filing the audited financial statements of the District as required by Division of Local Government Services (DLGS), Department of Community Affairs, State of New Jersey, was not filed timely within the established deadline of September 30, 2022.

Cause: The District had not prepared or reviewed certain accounting reconciliations to support trial balance, general ledger and/or financial statement amounts in a timely manner.

HFA Recommendation: The District should implement a formalized close process to ensure the District financial statements are filed with the established deadline with the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Management's response: Management recognizes the need to submit their audit report to the Division of Local Government Services, Department of Community Affairs, State of New Jersey within established deadlines in order to remain compliant with requirements. Management will make an effort to correct their timeliness and file their audits within the appropriate deadlines going forward.

Finding 2022-003 Budgetary Expenditures

Deficiency: During our review of the District’s budget to actual schedule, it was noted that the District over-expended certain line items in the District’s budget. New Jersey statute 40A:14-78.9 states “Whenever it shall become necessary during the last two months of the fiscal year to expend amounts in excess of those appropriations specified in the various line items of the operating appropriations section of the annual budget and there shall be excess appropriations in other line items of the operating appropriations section, the board of fire commissioners of the fire district may, by resolution setting forth the facts, adopted by the Fire District not less than 2/3 vote of the full membership thereof, transfer the amount of the excess to those appropriations deemed to be insufficient.”

Cause: The District over-expended certain line items in the District’s budget.

HFA Recommendation: The District must maintain a complete and accurate general ledger and review costs against the budget to identify any potential over expenditures. Budget transfers must be approved by resolution by the Board of Fire Commissioners prior to committing funds in case of over-expending.

Management’s response: Management will ensure budget transfers are made and approved in accordance 40A:14-78.9 and ensure proper segregation of duties and enhanced oversight, providing improved internal controls. Financial procedures and standard operating procedures will be revised, formalized, and put into place.

Follow-up on Prior Year’s Findings:

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. During the current year, it was noted that the District has prior year findings 2021-001 (current year 2022-001) and 2021-002 (current year 2022-002). Both comments were not corrected in the current year.

Acknowledgment

We received the complete cooperation of all the staff of the District, and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

February 12, 2024
Lakewood, New Jersey