

TOWNSHIP OF HANOVER FIRE DISTRICT #3

COUNTY OF MORRIS

REPORT OF AUDIT

DECEMBER 31, 2023

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
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INTRODUCTORY SECTION

# Fire District No. 3

TOWNSHIP OF HANOVER, COUNTY OF MORRIS

May 20, 2024

To the Board of Fire Commissioners  
Hanover Township Fire District #3  
Township of Hanover  
Hanover, NJ

Dear Fire Commissioners:

The annual financial report of the Township of Hanover Fire District #3 (the "District") for the year ended December 31, 2023 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

REPORTING ENTITY AND ITS SERVICES:

The Township of Hanover Fire District #3 is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report.

The Fire District #3, Township of Hanover is a public body corporate and politic of the State of New Jersey governed by five members elected by the registered voters of the District.

The District was created in 1936 pursuant to New Jersey Title 40A:14-70. The District is an instrumentality of the Township of Hanover, State of New Jersey, established to function as a fire district, to provide for fire and rescue services to the Township's citizens. The District consists of elected officials and is responsible for the fiscal control of the District. A president is appointed by the District and is responsible for the administrative control of the District.

INTERNAL ACCOUNTING CONTROLS:

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

The Honorable Commissioners of  
Fire District #3 Township of Hanover  
Page 2  
May 20, 2024

#### INTERNAL ACCOUNTING CONTROLS: (Cont'd)

As a recipient of state awards, the District is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state award programs, as well as to determine that the District has complied with applicable laws and regulations, if applicable.

#### BUDGETARY CONTROLS:

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

#### ACCOUNTING SYSTEM AND REPORTS:

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

#### CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

#### RISK MANAGEMENT:

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

#### OTHER INFORMATION:

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

The Honorable Commissioners of  
Fire District #3 Township of Hanover  
Page 3  
May 20, 2024

ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Commissioners of Fire District #3 Township of Hanover for their concern in providing fiscal accountability to the citizens of the Township of Hanover and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

Steven J. Cornine  
Chairperson

Michael P. Dugan, Sr.  
Treasurer

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
ROSTER OF OFFICIALS  
YEAR ENDED DECEMBER 31, 2023

Commissioners:

Steven J. Cornine  
Gary E. Keyser  
Michael P. Dugan, Sr.  
MaryLou DeSimone  
Michael P. Dugan, Jr.

Chairperson  
Vice Chairperson  
Treasurer  
Secretary  
District Clerk

Other Officials:

James M Schultz  
James Hark  
Karen Calabrese

Administrator  
Deputy Administrator  
Confidential Secretary to the Board of  
Fire Commissioners

Consultants and Advisors:

ATTORNEY

Richard Braslow, Esq.  
Toms River, New Jersey

AUDIT FIRM

Nisivoccia LLP  
Mount Arlington, New Jersey

FINANCIAL SECTION

## Independent Auditors' Report

To the Board of Fire Commissioners  
Hanover Township Fire District #3  
Hanover, NJ

### **Report on the Audit of the Financial Statements**

#### ***Qualified and Unmodified Opinions***

We have audited the financial statements of the governmental activities and each major fund of the Township of Hanover Fire District #3 (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Qualified Opinion on Governmental Activities***

In our opinion, except for the effects of the matter described in the Basis of Qualified and Unmodified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of December 31, 2023, and the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Unmodified Opinions on Each Major Governmental Fund***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund of the District, as of December 31, 2023, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the District 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 qualified and unmodified audit opinions.

#### ***Matter Giving Rise to Qualified Opinion on Governmental Activities***

The District's net pension liability and the related deferred outflows and inflows of resources reported in the governmental activities financial statements at December 31, 2023 are based on the June 30, 2022 Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, reports for the State of New Jersey Public Employees' Retirement System ("PERS") and Police and Firemen's Retirement System ("PFRS") from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the "State"). We were unable to obtain the June 30, 2023 GASB No. 68 reports as they have not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position and expenses of the District has not been determined.

To the Board of Fire Commissioners  
Township of Hanover Fire District #3  
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The District's note disclosure on postemployment benefits other than pensions (OPEB) contains the June 30, 2022 information and not the June 30, 2023 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Government Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

### ***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 District'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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division 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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, 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 the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

To the Board of Fire Commissioners  
Township of Hanover Fire District #3  
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### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information pension and OPEB schedules and related notes 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.

The Schedule of District's Proportionate Share of the Net Pension Liability does not contain the District's proportionate share of net pension liability as of June 30, 2023 and the Schedules of State's Proportionate Share of the Net OPEB Liability and State Contributions do not contain the June 30, 2023 information as the related GASB No. 68 and No. 75 reports have not been released by the State as of the date of this report. This required supplementary information is required to be presented to supplement the basic financial statements in accordance with accounting principles generally accepted in the United States of America. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

To the Board of Fire Commissioners  
Township of Hanover Fire District #3  
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***Other Information (Cont'd)***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
May 20, 2024

NISIVOCCIA LLP

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Man C. Lee  
Registered Municipal Accountant No. 562  
Certified Public Accountant

## MANAGEMENT DISCUSSION AND ANALYSIS

This section presents management's analysis of the District's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

Management believes the District's financial position to be strong. The District is well within its stringent financial policies and guidelines as set forth by the District members.

### **Overview of Annual Financial Report**

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the audited financial statements and supplementary information. The Management's Discussion and Analysis represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget, and other management tools were used for this analysis.

The financial statements report information about the District using full accrual accounting as utilized by similar government activities. The financial statements include a statement of net position; a statement of activities, a balance sheet and a statement of revenue, expenditures and changes in fund balance – governmental funds and notes to the financial statements.

The *statement of net position* presents the financial position of the District on a full accrual historical cost basis. The statement of net position presents information on all of the District's assets, deferred inflows and outflows and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the District is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the *statement of activities* presents the results of the District's activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the District's recovery of its costs.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information concerning the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The *supplementary information schedules* provide detailed comparison of budget to actual expenses.

## Financial Conditions

2023 was another relatively stable year for the District and it is in excellent shape to meet its future financial demands. The District's total net position decreased from the prior year by \$324,841 or 39.45%. This was primarily a result of a decrease in investment in capital assets due to the recognition of depreciation expense and increases in certain expenses such as salaries and wages and related fringe benefits as well as capital outlay and maintenance/repair costs for the firehouse. The analysis below focuses on the District's net position (Table I) and changes in net position (Table 2) during the year.

Table I  
Condensed Statement of Net Position

	Dec. 31, 2023	Dec. 31, 2022	Increase/ (Decrease) from 2022	Percent of Increase/ (Decrease)
Current and Other Assets	\$ 638,277	\$ 805,822	\$ (167,545)	
Capital Assets, Net	1,670,073	1,733,634	(63,561)	
Total Assets	2,308,350	2,539,456	(231,106)	-9.10%
Deferred Outflows of Resources	1,147,804	862,157	285,647	33.13%
Current Liabilities	343,988	252,506	91,482	
Long-Term Liabilities	2,204,898	1,325,111	879,787	
Total Liabilities	2,548,886	1,577,617	971,269	61.57%
Deferred Inflows of Resources	408,584	1,000,471	(591,887)	-59.16%
Investment in Capital Assets	1,670,073	1,733,634	(63,561)	
Unrestricted/(Deficit)	(1,171,389)	(910,109)	(261,280)	
Total Net Position	\$ 498,684	\$ 823,525	\$ (324,841)	-39.45%

Changes in the District's net position can be determined by reviewing the following condensed Statement of Activities for the year.

Table II  
Condensed Statement of Activities

	Dec. 31, 2023	Dec. 31, 2022	Increase/ (Decrease) from 2022	Percent of Increase/ (Decrease)
Operating Revenue	\$ 712,958	\$ 699,834	\$ 13,124	
Nonoperating Revenue	1,684,423	1,499,907	184,516	
Total Revenue	2,397,381	2,199,741	197,640	8.98%
Expenses:				
Operating Expenses	2,598,661	2,096,835	501,826	
Depreciation	123,561	165,751	(42,190)	
Total Expenses	2,722,222	2,262,586	459,636	20.31%
Change in Net Position	\$ (324,841)	\$ (62,845)	\$ (261,996)	-416.89%

## Results of Operations

**Revenues:** Operating revenues increased mainly due to the increase in fire prevention bureau income of \$13,124 the prior year. Non-operating revenues increased \$184,516 as a result of an increase in the amount to be raised by taxation to support the District's budget.

**Expenses:** Operating expenses increased \$501,826 or 23.93% from 2022 mainly as a result of increase in salaries and wages and related fringe benefits as well as maintenance/repair costs for the firehouse. The District maintains its policy of careful spending to stay within the budget.

**Capital Assets:** As of December 31, 2023, the District had \$1,670,073 invested in capital assets, including several fire trucks, vehicles, equipment and machinery, and furniture and fixtures. The amount represents a decrease of \$63,561 from the prior year mainly due to current year depreciation; offset by a current year addition. The following table summarizes the District's capital assets, net of accumulated depreciation and changes therein, for the year ended December 31, 2023. These changes are presented in detail in Note 5 to the financial statements.

Table III  
**Capital Assets, Net of Accumulated Depreciation**

	Dec. 31, 2023	Dec. 31, 2022	Increase/ (Decrease) from 2022	Percent of Increase/ (Decrease)
Land	\$ 7,500	\$ 7,500		
Construction in Progress	60,000		\$ 60,000	
Land Improvements	34,200	34,200		
Buildings and Improvements	1,174,359	1,174,359		
Vehicles and Fire Trucks	2,617,300	2,682,315	(65,015)	
Machinery and Equipment	203,168	203,168		
Total	4,096,527	4,101,542	(5,015)	-0.12%
Less: Accumulated Depreciation	2,426,454	2,367,908	58,546	2.47%
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,670,073</u>	<u>\$ 1,733,634</u>	<u>\$ (63,561)</u>	-3.67%

**Cash Flow Activity:** The cash and cash equivalents at year-end 2023 decreased by \$207,031 from the previous year primarily due an increase in operating expenses; offset by increase in tax levy. The District maintains a healthy cash balance to meet future emergencies and capital requirements.

**Long-Term Liabilities:** At year end, the District had long-term liabilities outstanding of \$2,204,898— an increase of \$879,787 from last year. This was the result of an increase in net pension liability, as shown in Table IV. More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Table IV  
**Outstanding Long-Term Liabilities**

	Dec. 31, 2023	Dec. 31, 2022	Increase/ (Decrease) from 2022	Percent of Increase/ (Decrease)
Net Pension Liability	\$ 2,108,475	\$ 1,220,665	\$ 887,810	
Compensated Absences Payable	96,423	104,446	(8,023)	
	<u>\$ 2,204,898</u>	<u>\$ 1,325,111</u>	<u>\$ 879,787</u>	66.39%

**Final Comments:** The District is moving forward with plans to upgrade its facilities and equipment over the next few years.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 598,791
Grants Receivable	39,486
Total Current Assets	<u>638,277</u>
Non Current Assets:	
Capital Assets, Net:	
Land	7,500
Construction-In-Progress	60,000
Depreciable Land Improvements, Buildings & Building Improvements, Vehicles & Fire Trucks and Machinery & Equipment	<u>1,602,573</u>
Total Noncurrent Assets	<u>1,670,073</u>
Total Assets	<u>2,308,350</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Deferred Outflows Related to Pensions	934,107
Contribution Subsequent to Measurement Date - Pensions	<u>213,697</u>
Total Deferred Outflows of Resources	<u>1,147,804</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable	283,988
Contracts Payable	60,000
Total Current Liabilities	<u>343,988</u>
Non-Current Liabilities:	
Compensated Absences Payable	96,423
Net Pension Liability	<u>2,108,475</u>
Total Non-Current Liabilities	<u>2,204,898</u>
Total Liabilities	<u>2,548,886</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Deferred Inflows Related to Pensions	<u>408,584</u>
Total Deferred Inflows of Resources	<u>408,584</u>
<u>NET POSITION:</u>	
Investment in Capital Assets	1,670,073
Unrestricted/(Deficit)	<u>(1,171,389)</u>
Total Net Position	<u>\$ 498,684</u>

THE ACCOMPANYING NOTES TO  
FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Governmental Activities</u>
Expenses:	
Operating Appropriations:	
Administration	\$ 188,489
Cost of Operations and Maintenance	2,377,372
Appropriations Offset with Revenue	32,800
Depreciation	123,561
	2,722,222
Total Expenses	2,722,222
Program Revenue:	
Charges for Services:	
EMS Services	657,061
Fire Prevention Bureau Income	55,897
	712,958
Total Program Revenue	712,958
General Revenue:	
Interest on Investments	360
Amount to be Raised by Taxation to Support District Budget	1,572,717
New Jersey Uniform Fire Safety Act	34,813
Rental Income	6,500
Miscellaneous Revenue	30,547
FEMA Firefighter Grant	39,486
	1,684,423
Total General Revenue	1,684,423
Change in Net Position	(324,841)
Net Position - Beginning of Year	823,525
Net Position - End of Year	\$ 498,684

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 575,718	\$ 23,073	\$ 598,791
Grants Receivable	39,486		39,486
Total Assets	\$ 615,204	\$ 23,073	\$ 638,277
<u>LIABILITIES:</u>			
Accounts Payable	\$ 70,291		\$ 70,291
Contracts Payable	60,000		60,000
Total Liabilities	130,291		130,291
<u>FUND BALANCES:</u>			
Committed		\$ 23,073	23,073
Unassigned	484,913		484,913
Total Fund Balances	484,913	23,073	507,986
Total Liabilities and Fund Balances	\$ 615,204	\$ 23,073	

Amounts Reported in the Statement of Activities are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not Reported in the Funds.	1,670,073
Long-Term Liabilities, are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	(96,423)
The Net Pension Liability for PERS and PFRS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,108,475)
Certain amounts related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Deferred Outflows of Resources Related to Pensions	1,147,804
Deferred Inflows of Resources Related to Pensions	(408,584)
District contributions subsequent to the measurement date are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the Statement of Net Position.	(213,697)
Net Position of Governmental Activities	\$ 498,684

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

HANOVER TOWNSHIP FIRE DISTRICT #3  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUE:</u>			
Amount To Be Raised By Taxation To Support Budget	\$ 1,572,717		\$ 1,572,717
Rental Income	6,500		6,500
Interest Earned on Investments	360		360
EMS Services	657,061		657,061
Local Registration Fees	46,062		46,062
Fire Alarms and Standby Fees	9,835		9,835
Miscellaneous	30,547		30,547
Uniform Safety Act	34,813		34,813
FEMA Firefighter Grant	39,486		39,486
Total Revenue	<u>2,397,381</u>		<u>2,397,381</u>
<u>EXPENDITURES:</u>			
Operating Appropriations:			
Administration	183,844		183,844
Cost of Operations and Maintenance	2,352,398		2,352,398
Appropriations Offset with Revenue	72,286		72,286
Capital Outlay	60,000		60,000
Total Expenditures	<u>2,668,528</u>		<u>2,668,528</u>
Net Change in Fund Balances	(271,147)		(271,147)
Fund Balances, Beginning of Year	756,060	\$ 23,073	779,133
Fund Balances, End of Year	<u>\$ 484,913</u>	<u>\$ 23,073</u>	<u>\$ 507,986</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

HANOVER TOWNSHIP FIRE DISTRICT #3  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023

Total Net Change in Fund Balances - Governmental Funds \$ (271,147)

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

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays in the period.

	Depreciation Expense	\$ (123,561)	
	Capital Outlays	60,000	
			(63,561)

In the Statement of Activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

8,023

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	(887,810)
Changes in Deferred Outflows Related to Pensions	297,767
Change in Deferred Inflows Related to Pensions	591,887

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (324,841)

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023

Note 1: Organization and Summary of Significant Accounting Policies

A. Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation and Accounting

The financial statements of the Township of Hanover Fire District #3 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District-wide financial statements (the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation and Accounting (Cont'd)

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities.

Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

The District has not established any fund balance restrictions.

The District has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Fire Commissioners at a public meeting of that governing body. The Board of Fire Commissioners must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Fire Commissioners at a public meeting of that governing body in order to remove or change the commitment of resources. The District had \$23,073 in committed resources for future capital outlays in the Capital Projects Fund at December 31, 2023.

The assignment of resources is generally made by the District through a motion or a resolution passed by a majority of the Members of the Board of Fire Commissioners. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Fire Commissioners may allow an official of the District to assign resources through policies adopted by the Board of Fire Commissioners. The District has no assigned resources at December 31, 2023.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation and Accounting (Cont'd)

Deficit Net Position

The District has a deficit in unrestricted net position of \$1,171,389 which is due to the net pension liability and related deferred inflows and outflows of resources. This deficit does not mean the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

Significant accounting policies include:

1. Grants:

Recognition of revenue from grants is based on the accrual basis of accounting.

Grant related expenditures incurred in advance of receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as nonoperating revenue. Grants externally restricted for nonoperating purposes are recorded as contributed capital and identified as grants-in-aid.

2. Inventories:

Inventories, which benefit future periods, are recorded as an expenditure during the year of purchase.

3. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

4. Unearned Revenue:

Unearned revenue represents cash which has been received but not yet earned.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation and Accounting (Cont'd)

5. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows and inflows of resources for pensions at December 31, 2023.

Net position is displayed in three components – net investment in capital assets; restricted and unrestricted.

The investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted component of net position.

6. Revenue Recognition

District taxes are received quarterly. Fire Prevention Bureau Inspection and EMS services customers are billed at the time of service and revenue is recorded net of any discounts, assessments, or abatements, if applicable.

7. Cash and Cash Equivalents

Amounts include petty cash, amounts on deposit, and short-term investments with original maturities of three months or less.

8. Investments

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation and Accounting (Cont'd)

9. Use of Estimates

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Police and Firemen's Retirement System (PFRS) and additions to/deductions from the PERS's and PFRS's net position have been determined on the same basis as they are reported by the PERS and PFRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

Note 2: Pension

The District's employees participate in one of two contributory defined benefit public employee retirement systems: the Public Employee's Retirement System (PERS) of New Jersey or the Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a). As of the date of this report, the June 30, 2023 GASB No. 68 reports for PERS and PFRS have not been released by the Division.

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at [www.state.nj.us/treasury/pensions/annual-reports.shtml](http://www.state.nj.us/treasury/pensions/annual-reports.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. The following represents the membership tiers for PERS:

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

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
 (Continued)

Note 2: Pension (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$38,225 for 2023. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$962 to the PERS for normal pension benefits on behalf of the Authority. The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no pension liability or deferred outflows or inflows to report in the financial statement of the local participating employers related to the legislation.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Special Funding Situation (Cont'd)

However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense associated with the employers in an amount equal to the nonemployer contributing entity's total proportionate share of the collective pension expense associated with the local participating employer.

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

At June 30, 2022, the District reported a liability of \$457,451 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the District's proportion was 0.00303%, which was an increase of 0.00017% from its proportion measured as of June 30, 2021. For the year ended December 31, 2023, the District recognized actual pension expense of \$22,203. There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2018	5.63		\$ 10,996
	2019	5.21		13,742
	2020	5.16		40,408
	2021	5.13		3,353
	2022	5.04	\$ 1,417	
				<u>1,417</u>
Changes in Proportion	2018	5.63	1,892	
	2019	5.21	50,745	
	2020	5.16		4,611
	2021	5.13	25,108	
	2022	5.04	26,715	
				<u>104,460</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	451	
	2020	5.00	13,599	
	2021	5.00	(84,819)	
	2022	5.00	89,702	
			<u>18,933</u>	

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions  
(Cont'd)

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	2018	5.63		\$ 419
	2019	5.21	\$ 1,051	
	2020	5.16	2,251	
	2021	5.13		1,127
	2022	5.04		1,366
			<u>3,302</u>	<u>2,912</u>
District Contribution Subsequent to the Measurement Date	2023	1.00	14,849	
			<u>\$ 142,961</u>	<u>\$ 76,022</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2023	\$ 17,089
2024	1,316
2025	4,545
2026	28,924
2027	216
	<u>\$ 52,090</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2023 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 587,691	\$ 457,451	\$ 346,612
<u>Pension plan Fiduciary Net Position</u>			

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's annual financial statements which can be found at [www.state.nj.us/treasury/pensions/annual-reports.shtml](http://www.state.nj.us/treasury/pensions/annual-reports.shtml).

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 years of service. The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2023, the State contributed an amount more than the actuarially determined amount.

The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation are considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

District contributions to PFRS amounted to \$187,592 for the year ended December 31, 2023. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$36,581 to the PFRS for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$33,901. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources

At June 30, 2022, the District's liability for its proportionate share of the net pension liability was \$1,651,024. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the District's proportion was .0144%, which was an increase of .0023% from its proportion measured as of June 30, 2021.

Additionally, the State's proportionate share of the net pension liability attributable to the District is \$293,834 as of June 30, 2022. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. The State's proportionate share of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the State's proportion was .0144%, which was an increase of .0023% from its proportion measured as of June 30, 2021 which is the same proportion as the District's.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources (Cont'd)

District's Proportionate Share of the Net Pension Liability	\$ 1,651,024
State's Proportionate Share of the Net Pension Liability Associated with the Fire District	293,834
Total Net Pension Liability	\$ 1,944,858

For the year ended December 31, 2023, the District recognized total pension expense of \$201,804. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2018	5.73		\$ 33,178
	2019	5.92		76,168
	2020	5.90		55,484
	2021	6.17	\$ 4,525	
	2022	6.22		43,001
			4,525	207,831
Changes in Proportion	2018	5.73	41,278	
	2019	5.92		10,172
	2020	5.90		13,411
	2021	6.17	270,370	
	2022	6.22	263,907	
			575,555	23,583
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	5,358	
	2020	5.00	74,484	
	2021	5.00	(419,059)	
	2022	5.00	490,402	
			151,185	
Difference Between Expected and Actual Experience	2018	5.73	1,321	
	2019	5.92		3,157
	2020	5.90	5,236	
	2021	6.17		97,991
	2022	6.22	68,173	
			74,730	101,148
District Contribution Subsequent to the Measurement Date	2023	1.00	198,848	
			\$ 1,004,843	\$ 332,562

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources (Cont'd)

Amounts reported as deferred outflows and inflows of resources (excluding the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2023	\$ 64,171
2024	53,125
2025	60,960
2026	231,425
2027	62,691
Thereafter	1,061
	\$ 473,433

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases	3.25% - 16.25% based on years of service
Investment Rate of Return	7.00%

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

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

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 2: Pension (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
 (Continued)

Note 2: Pension (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the District) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the District) as of June 30, 2022 calculated using the discount rate as disclosed above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
District's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Fire District	\$ 2,668,555	\$ 1,944,858	\$ 1,342,377

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$1,085 for the year ended December 31, 2023. Employee contributions to DCRP amounted to \$1,473 for the year ended December 31, 2023.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 3: Cash and Cash Equivalents and Investments

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

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

GASB requires the disclosure of the level of custodial risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the District ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The District limits the investments to those authorized in its cash management plan which are permitted under state statutes as detailed in the investment section of this note.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ fire districts are permitted to invest their funds.

Deposits:

New Jersey statutes require that fire districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agency of the United States that insures deposits made in public depositories. Fire districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 3: Cash and Cash Equivalents and Investments (Cont'd)

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 3: Cash and Cash Equivalents and Investments (Cont'd)

As of December 31, 2023, cash and cash equivalents of the District consisted of the following:

Fund	Cash and Cash Equivalents	Total
General	\$ 575,718	\$ 575,718
Capital Projects	23,073	23,073
	\$ 598,791	\$ 598,791

The carrying amount of the District's cash and cash equivalents at December 31, 2023 was \$598,791 and the bank balance was \$617,754. The District had no investments as of December 31, 2023.

Note 4: Long-Term Liabilities:

During the year ended December 31, 2023, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance 12/31/2022	Accrued	Retirements	Balance 12/31/2023
Net Pension Liability:				
PERS	\$ 338,335	\$ 119,116		\$ 457,451
PFRS	882,330	768,694		1,651,024
Compensated Absence Payable	104,446	30,404	\$ 38,427	96,423
	\$ 1,325,111	\$ 918,214	\$ 38,427	\$ 2,204,898

A. Net Pension Liability

The Public Employees' Retirement System (PERS) and Police and Firemen's Retirement Systems' (PFRS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the PERS net pension liability at December 31, 2023 is \$-0- and the long-term portion is \$457,451. The current portion of the PFRS net pension liability at December 31, 2023 is \$-0- and the long-term portion is \$1,651,024. See Note 2 for further information on the PERS and PFRS.

B. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire amount of compensated absences payable at December 31, 2023 of \$96,423 is a long-term liability. There is no current portion of the payable.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 5: Capital Assets

Capital Assets are recorded at cost and consisted of the following, as of December 31, 2023:

	Balance 12/31/2022	Increases	Adjustments/ (Decreases)	Balance 12/31/2023
Capital Assets not being Depreciated:				
Land	\$ 7,500			\$ 7,500
Construction-In-Progress		\$ 60,000		60,000
Total Capital Assets not being Depreciated	<u>7,500</u>	<u>60,000</u>		<u>67,500</u>
Capital Assets being Depreciated:				
Land Improvements	34,200			34,200
Building and Building Improvements	1,174,359			1,174,359
Vehicles and Fire Trucks	2,682,315		\$ (65,015)	2,617,300
Machinery and Equipment	203,168			203,168
Total Capital Assets being Depreciated	<u>4,094,042</u>		<u>(65,015)</u>	<u>4,029,027</u>
Total Capital Assets	<u>4,101,542</u>	<u>60,000</u>	<u>(65,015)</u>	<u>4,096,527</u>
Less Accumulated Depreciation for:				
Land Improvements	17,405	1,376		18,781
Building and Building Improvements	495,694	29,005		524,699
Vehicles and Fire Trucks	1,732,602	79,794	65,015	1,747,381
Machinery and Equipment	122,207	13,386		135,593
	<u>2,367,908</u>	<u>123,561</u>	<u>65,015</u>	<u>2,426,454</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,733,634</u>	<u>\$ 63,561</u>	<u>\$ -0-</u>	<u>\$ 1,670,073</u>

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets were reviewed for impairment.

Major classes of property, plant and equipment and their estimated useful lives are summarized below:

	<u>Estimated Useful Life</u>
Building & Building Improvements	40 Years
Land Improvements	40 Years
Fire Trucks	20 Years
Vehicles	10 Years
Equipment/Machinery	Various

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 6: Risk Management

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

The District secures all insurance coverage through private insurance carriers using a broker as their representative. The following coverages were in place in 2023:

1. Property Damage Other Than Motor Vehicles
2. Motor Vehicle
3. General Liability
4. Inland Marine
5. Public Officials Liability
6. Umbrella Policy
7. Workers' Compensation

Note 7: Accounts and Contract Payable

Accounts and contract payable as of December 31, 2023 was as follows:

	<u>Governmental Funds</u>	<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>
	<u>General Fund</u>		
Vendors	\$ 130,291		\$ 130,291
State of New Jersey		\$ 213,697	213,697
	<u>\$ 130,291</u>	<u>\$ 213,697</u>	<u>\$ 343,988</u>

Note 8: Contingencies

The District is periodically involved in various lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury, personnel practices and property damage. In the opinion of the General Counsel to the District, payment of claims by the District, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the District's financial position.

Note 9: Economic Dependency

The District receives a substantial amount of its support from its local district taxes. A significant reduction in the level of support, if this were to occur, may have a significant effect on the District's programs and activities.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 10: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

As of the date of this report, the June 30, 2023 GASB No. 75 report has not been released by the Division of Pensions and Benefits, Department of Treasury, State of New Jersey.

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 10: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2021 through June 30, 2022. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 10: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense

The net OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

At June 30, 2022, the State's proportionate share of the net OPEB liability attributable to the was \$1,436,534. At June 30, 2022, the State's proportion related to the District was .04258%. This is the percentage of the total State share of the net OPEB liability of the Plan.

During the year ended June 30, 2022, the State of New Jersey's OPEB expense related to the District was \$235,622.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Salary Increases\*:

Public Employees' Retirement System (PERS)

Rate for all future years                      2.75% to 6.55% based on years of service

Police and Firemen's Retirement System (PFRS)

Rate for all future years                      3.25% to 16.25% based on years of service

\* Salary increases are based on years of service within the respective plan.

Mortality:

PERS              Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

PFRS              Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

100% of active members are considered to participate in the Plan upon retirement.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023  
(Continued)

Note 10: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is 6.25% for fiscal year 2023 and decreases to a 4.50% long term trend rate in 2033 and later. For PPO post 65 medical benefits, the trend rate is -1.89% in fiscal year 2023 and increases to a 4.50% trend rate starting with fiscal year 2033 and later. For HMO Post 65 medical benefits, the trend rate is -1.99% in fiscal year 2023 and increases to a 4.50% trend rate starting with fiscal year 2033 and later. For prescription drug benefits, the trend rate is 8.00% for fiscal year 2023 and decreases to a 4.50% trend rate in 2030 and later.

Discount Rate

The discount rate for June 30, 2022 was 3.54%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 11: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2023, the following deferred charge is required to be raised succeeding year's budget:

	<u>Balance</u> <u>Dec. 31, 2023</u>	<u>Required</u> <u>2024 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Years' Budgets</u>
General Fund:			
Overexpenditure of Appropriations	\$ 37,909	\$ -0-	\$ 37,909

The appropriation in the 2025 budget will not be less than that required by statute.

REQUIRED SUPPLEMENTARY INFORMATION

HANOVER TOWNSHIP FIRE DISTRICT #3  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST EIGHT YEARS

	Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability	0.0017442649%	0.0017869490%	0.0016767178%	0.0017516239%	0.0027162385%	0.0026673076%	0.0028559932%	0.0030312089%
District's proportionate share of the net pension liability	\$ 391,553	\$ 529,243	\$ 390,313	\$ 344,886	\$ 489,425	\$ 434,968	\$ 338,335	\$ 457,451
District's covered employee payroll	\$ 118,174	\$ 117,856	\$ 119,588	\$ 128,846	\$ 193,020	\$ 177,335	\$ 204,948	\$ 87,793
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	331.34%	449.06%	326.38%	267.67%	253.56%	245.28%	165.08%	521.06%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%	70.33%	62.91%

Note 1: The NJ Division of Pensions and Benefits has not released the June 30, 2023 GASB No. 68 report as of the date of this report.

Note 2: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ending December 31, 2015.

HANOVER TOWNSHIP FIRE DISTRICT #3  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST NINE YEARS

	Year Ending June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Contractually required contribution	\$ 12,584	\$ 14,996	\$ 15,875	\$ 15,533	\$ 17,423	\$ 26,421	\$ 29,179	\$ 33,447	\$ 38,225	
Contributions in relation to the contractually required contribution	(12,584)	(14,996)	(15,875)	(15,533)	(17,423)	(26,421)	(29,179)	(33,447)	(38,225)	
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
District's covered employee payroll	\$ 119,842	\$ 116,164	\$ 123,012	\$ 163,850	\$ 175,518	\$ 183,083	\$ 165,813	\$ 84,344	\$ 99,942	
Contributions as a percentage of covered employee payroll	10.50%	12.91%	12.91%	9.48%	9.93%	14.43%	17.60%	39.66%	38.25%	

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ending December 31, 2015.

HANOVER TOWNSHIP FIRE DISTRICT #3  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 POLICE AND FIREMEN'S RETIREMENT SYSTEM  
 LAST EIGHT YEARS

	Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability		0.0055863878%	0.0046520436%	0.0078061649%	0.0098621451%	0.00966639913%	0.0120715837%	0.0144240145%
District's proportionate share of the net pension liability	\$ 930,497	\$ 888,659	\$ 1,205,121	\$ 1,334,511	\$ 1,182,662	\$ 1,226,563	\$ 882,330	\$ 1,651,024
District's covered employee payroll	\$ 268,524	\$ 250,248	\$ 333,261	\$ 351,490	\$ 327,540	\$ 351,448	\$ 481,401	\$ 532,418
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	346.52%	355.11%	361.61%	379.67%	361.07%	349.00%	183.28%	310.10%
Plan fiduciary net position as a percentage of the total pension liability	56.31%	52.01%	58.60%	62.48%	65.00%	63.52%	77.26%	68.33%

Note 1: The NJ Division of Pensions and Benefits has not released the June 30, 2023 GASB No. 68 report as of the date of this report.

Note 2: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ending December 31, 2015.

HANOVER TOWNSHIP FIRE DISTRICT #3  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
POLICE AND FIREMEN'S RETIREMENT SYSTEM  
LAST NINE YEARS

	Year Ending June 30.									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Contractually required contribution	\$ 42,097	\$ 45,409	\$ 37,930	\$ 69,086	\$ 96,417	\$ 97,617	\$ 106,048	\$ 140,960	\$ 187,592	
Contributions in relation to the contractually required contribution	(42,097)	(45,409)	(37,930)	(69,086)	(96,417)	(97,617)	(106,048)	(140,960)	(187,592)	
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
District's covered employee payroll	\$ 233,584	\$ 298,248	\$ 371,857	\$ 327,540	\$ 327,540	\$ 415,430	\$ 513,973	\$ 587,184	\$ 755,603	
Contributions as a percentage of covered employee payroll	18.02%	15.23%	10.20%	21.09%	29.44%	23.50%	20.63%	24.01%	24.83%	

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ending December 31, 2015.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN  
LAST SIX YEARS

	Year Ending June 30,					
	2017	2018	2019	2020	2021	2022
State's proportion of the net OPEB liability	0.017963%	0.021115%	0.020126%	0.024697%	0.043080%	0.042579%
State's proportionate share of the net OPEB liability	\$ 1,561,957	\$ 1,312,053	\$ 1,112,106	\$ 1,349,025	\$ 1,663,473	\$ 1,436,534
Plan fiduciary net position (deficit) as a percentage of the total OPEB liability	1.03%	1.97%	1.98%	0.91%	0.28%	0.36%

Note 1: The NJ Division of Pensions and Benefits has not released the June 30, 2023 GASB No. 75 report as of the date of this report.

Note 2: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ending December 31, 2015.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN  
LAST SIX YEARS

	Year Ending June 30,					
	2017	2018	2019	2020	2021	2022
Statutorily required contribution	\$ 111,783	\$ 39,717	\$ 14,741	\$ 67,155	\$ 226,987	\$ 235,622
Contributions in relation to the contractually required contribution	<u>(111,783)</u>	<u>(39,717)</u>	<u>(14,741)</u>	<u>(67,155)</u>	<u>(226,987)</u>	<u>(235,622)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Note 1: The NJ Division of Pensions and Benefits has not released the June 30, 2023 GASB No. 75 report as of the date of this report.

Note 2: This schedule does not contain ten years of information as GASB No. 75 was implemented during the year ended December 31, 2018.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2023

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 6.55% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 2.00%-6.00% through 2026 and 3.00-7.00% thereafter based on years of service.

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

C. STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

Benefit Changes

There were none.

Change of Actuarial Assumptions

The discount rate for June 30, 2022 was 3.54%. The discount rate for June 30, 2021 was 2.16%, a change of 1.38%.

The salary increases for PERS were 2.00% - 6.00% through 2026 and 3.00% - 7.00% for thereafter in the valuation as of June 30, 2021. The salary increases for PERS were 2.75% - 6.55% in the valuation as of June 30, 2022.

The salary increases for PFRS were 3.25% - 15.25% through 2026 for all future years in the valuation as of June 30, 2021. The salary increases for PFRS were 3.25% - 16.25% in the valuation as of June 30, 2022.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2023

(Continued)

C. STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (Cont'd)

Health Care Trend Assumptions – July 1, 2021 Actuarial Valuation:

For pre-Medicare medical benefits, the trend rate is 6.25% for fiscal year 2023 and decreases to a 4.50% long term trend rate in 2033 and later. For PPO post 65 medical benefits, the trend rate is -1.89% in fiscal year 2023 and increases to a 4.50% trend rate starting with fiscal year 2033 and later. For HMO Post 65 medical benefits, the trend rate is -1.99% in fiscal year 2023 and increases to a 4.50% trend rate starting with fiscal year 2033 and later. For prescription drug benefits, the trend rate is 8.00% for fiscal year 2023 and decreases to a 4.50% trend rate in 2030 and later.

Health Care Trend Assumptions – June 30, 2020 Actuarial Valuation:

For pre-Medicare medical benefits, the trend rate is initially is 5.65% for fiscal year 2021 and decreases to 4.5% long term trend rate after seven years. For PPO post 65 medical benefits, the trend rate is initially 13.08% and decreases to a 4.5% long term trend rate starting with fiscal year 2032 and later. For HMO Post 65 medical benefits, the trend rate is initially 13.76% and decreases to 4.5% long term trend rate starting with fiscal year 2032 and later. For prescription drug benefits, the initial trend rate is 6.75% for fiscal year 2021 and decreases to a 4.5% long term rate after seven years.

SUPPLEMENTARY INFORMATION

HANOVER TOWNSHIP FIRE DISTRICT #3  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND CASH EQUIVALENTS

	General Fund	Capital Projects Fund	Total
Cash Balance January 1, 2023	\$ 782,749	\$ 23,073	\$ 805,822
Cash Receipts:			
Amount To Be Raised By Taxation To Support Budget	1,572,717		1,572,717
Rental Income	6,500		6,500
Interest on Investments	360		360
EMS Services	657,061		657,061
Local Registration Fees	46,062		46,062
Fire Alarms and Standby Fees	9,835		9,835
Miscellaneous Receipts	30,547		30,547
Uniform Fire Safety Act	34,813		34,813
Total Cash Receipts	2,357,895		2,357,895
Cash Disbursed:			
Budget Appropriation:			
Administration	183,923		183,923
Cost of Operations and Maintenance	2,348,203		2,348,203
Appropriations Offset with Revenue	32,800		32,800
Total Cash Disbursements	2,564,926		2,564,926
Cash Balance December 31, 2023	\$ 575,718	\$ 23,073	\$ 598,791

HANOVER TOWNSHIP FIRE DISTRICT #3  
GENERAL FUND  
SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2023

	2023			Variance Favorable (Unfavorable)
	Budget	Budget After Modification	Actual	
<u>REVENUE:</u>				
Unrestricted Fund Balance Utilized	\$ 302,115	\$ 302,115	\$ 302,115	
Amount To Be Raised By Taxation To Support Budget	1,572,718	1,572,718	1,572,717	\$ (1)
Rental Income	6,500	6,500	6,500	
Interest on Investments	300	300	360	60
EMS Services	620,000	620,000	657,061	37,061
Local Registration Fees	35,000	35,000	46,062	11,062
Fire Alarms and Standby Fees	9,500	9,500	9,835	335
Miscellaneous Revenue	12,200	12,200	30,547	18,347
Uniform Fire Safety Act	32,800	32,800	34,813	2,013
FEMA Firefighter Grant	39,486	39,486	39,486	
Total Revenue	<u>2,630,619</u>	<u>2,630,619</u>	<u>2,699,496</u>	<u>68,877</u>
<u>BUDGETED APPROPRIATIONS:</u>				
Administration:				
Salaries & Wages	120,381	130,804	142,761	(11,957)
Commissioners	12,500	12,500	12,500	
Fringe Benefits	12,955	12,920	12,920	
Office Expenses	8,200	8,652	8,652	
Election, Recruitment and Public Events	7,400	5,565	5,565	
Fire Prevention Bureau	1,500	1,446	1,446	
Total Administration	<u>162,936</u>	<u>171,887</u>	<u>183,844</u>	<u>(11,957)</u>
Cost of Operations and Maintenance:				
Salaries & Wages	1,119,698	1,119,698	1,131,182	(11,484)
Fringe Benefits	463,669	463,669	478,137	(14,468)
Other Benefits	191,250	221,989	221,989	
Office Expenses	13,700	11,713	11,713	
Conference, Travel, Dues & Subscriptions	19,900	19,528	19,528	
Professional Services	114,030	135,165	135,165	
Building Expenses (insurance, utilities, maintenance)	146,750	169,223	169,223	
Vehicle Expenses (insurance, maintenance/repairs)	94,500	121,620	121,620	
Equipment maintenance and repairs	30,700	24,097	24,097	
Uniforms, Education and Training	17,700	25,135	25,135	
Non-bondable Equipment	23,500	14,609	14,609	
Total Cost of Operations and Maintenance	<u>2,235,397</u>	<u>2,326,446</u>	<u>2,352,398</u>	<u>(25,952)</u>
Appropriations Offset with Revenue:				
Uniform Fire Safety Act:				
Fire Official	32,800	32,800	32,800	
FEMA Firefighter Grant - Fire Hoses	39,486	39,486	39,486	
Total Appropriations Offset with Revenue	<u>72,286</u>	<u>72,286</u>	<u>72,286</u>	
Capital Appropriations:				
Capital Outlay	160,000	60,000	60,000	
Total Capital Appropriations	<u>160,000</u>	<u>60,000</u>	<u>60,000</u>	
TOTAL APPROPRIATIONS	<u>\$ 2,630,619</u>	<u>\$ 2,630,619</u>	<u>\$ 2,668,528</u>	<u>\$ (37,909)</u>

GOVERNMENT AUDITING STANDARDS

HANOVER TOWNSHIP FIRE DISTRICT #3  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2023

Agency or Department	Program	Assistance Listing Number	Project/State Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amount Provided to Subrecipients
				From	To					
U.S. Department of Homeland Security: (Passed through New Jersey Dept. of Law and Public Safety)	FY 2021 Assistance to Firefighters	97,044	EMW-2021-FG-04695	02/13/23	02/12/25	\$ 39,486		\$ 39,486	\$ 39,486	
							\$ -0-	\$ 39,486	\$ 39,486	\$ -0-

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2023

NOT APPLICABLE

SEE ACCOMPANYING NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2023

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Township of Hanover Fire District #3 under programs of the federal and state governments for the year ended December 31, 2023. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the District.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



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 Bridgewater, NJ

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Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Board of Fire Commissions  
 Hanover Township Fire District #3  
 Hanover, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, (the "Division") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Hanover Township Fire District #3, in the County of Morris (the "District") as of, and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 20, 2024. That report included a qualified opinion on the governmental activities financial statements as the District's net pension liability and the related deferred outflows and inflows of resources reported in the governmental activities financial statements at December 31, 2023 is based on the June 30, 2022 Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, reports for the State of New Jersey Public Employees' Retirement System ("PERS") and Police and Firemen's Retirement System ("PFRS") from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the "State"). We were unable to obtain the June 30, 2023 GASB No. 68 reports as they have not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position and expenses of the District has not been determined. The District's note disclosure on postemployment benefits other than pensions (OPEB) contains the June 30, 2022 information and not the June 30, 2023 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Government Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

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

The Board of Fire Commissions  
Hanover Township Fire District #3  
Hanover, NJ  
Page 2

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2023-001 and 2023-002 that we consider to be significant deficiencies.

### **Report on Compliance and Other Matters**

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

### **The District's Responses to the Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Mount Arlington, New Jersey  
May 20, 2024

NISIVOCCIA LLP

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Man C. Lee  
Certified Public Accountant  
Registered Municipal Accountant, No. 562

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2023

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the District's governmental activities financial statements as the District's net pension liability and the related deferred outflows and inflows of resources reported in the governmental activities financial statements at December 31, 2023 is based on the June 30, 2022 Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, reports for the State of New Jersey Public Employees' Retirement System ("PERS") and Police and Firemen's Retirement System ("PFRS") from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the "State"). We were unable to obtain the June 30, 2023 GASB No. 68 reports as they have not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position and expenses of the District has not been determined. The District's note disclosure on postemployment benefits other than pensions (OPEB) contains the June 30, 2022 information and not the June 30, 2023 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Government Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.
- Significant deficiencies were disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

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

Finding 2023-001

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The District does not maintain an adequate segregation of duties due to a limited number of personnel.

The functions of handling cash, preparation of cash receipts and cash disbursements books and the general ledger for the various funds and reconciliation of bank accounts are performed by one individual.

Cause

This is not unusual in operations the size of the District, but management should constantly be aware of this condition and realize the concentration of duties and responsibility in a limited number of individuals is not desirable from a control point of view.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2023

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2023-001 (Cont'd)

Effect of Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Recommendation

It is recommended that the District maintains an adequate segregation of duties with respect to the recording and treasury functions.

Management's Response

The District recognizes the Auditors responsiveness to the requirements of law and accepted accounting practices and is appreciative of the thoroughness of the audit. As is identified each year as a recommendation, concerning segregation of duties, the District does not have the means nor the ability to institute more restrictive means of segregation of duties without imposing an unnecessary cost to the taxpayers. The District utilizes our personnel and elected officials effectively and efficiently to constantly scrutinize the budget and expenditures to insure compliance with policy and procedures and to the budget itself and to mitigate costs wherever possible.

Finding 2023-002

Encumbrance Accounting System

Accounting Requirements – New Jersey Administrative Code

Criteria

Maintenance of an encumbrance accounting system is required to be in compliance with the New Jersey Administrative Code Accounting Requirements.

Condition

The District does not utilize an encumbrance accounting and reporting system. An encumbrance accounting and reporting system would be useful to identify liabilities of the District and prevent possible over-expenditures of appropriations.

Cause

Formal purchase orders were not prepared for all disbursements. Although bills are approved prior to the release of payment, there is no prior approval of purchase orders.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2023

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2023-002 (Cont'd)

Effect or Potential Effect

The District is not in compliance with the New Jersey Administrative Code Accounting Requirements. As a result, claimant, receipt of goods and Treasurer's signatures are not obtained on vouchers for all purchases.

Recommendation

It is recommended that a formal purchase order encumbrance system be implemented to ensure that all purchase orders are approved prior to the purchase of goods or services and all required signatures are obtained before payments are released.

Management's Response

The District will give consideration to implement a formal purchase order encumbrance system, however, due to budgetary constraints, a resolution might not be possible in the near future. The District will ensure that all required signatures are obtained before payments are released.

The District has a Shared Services Agreement with the Township of Boonton for a Qualified Purchasing Agent (QPA) Mr. Norman Eckstein. The Shared Services Agreement was thereafter approved by the New Jersey Department of Community Affairs (DCA) Division of Local Government Services (DLGS). Having Mr. Eckstein on board allows the District to increase the bid threshold from \$17,500.00 to \$44,000.00, which alleviates cumulative overruns as in previous budgets. Procedurally, Mr. Eckstein is provided with the District's financial reports on a bi-weekly basis; the reports include all checks being issued at that meeting, as well as any relevant financial data and vendor statements. Mr. Eckstein is currently providing advice and scrutiny on purchases and insuring compliance with the District's Procurement Policy as well as compliance with individual line items in the District's budget.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2023

The District's prior year audit finding 2022-001 regarding segregation of duties has not been fully resolved due to budgetary constraints and is included as finding 2023-001.

COMMENTS AND RECOMMENDATIONS

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4 et seq.

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

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

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

Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the District Counsel's opinion should be sought before a commitment is made.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4 et seq. (Cont'd)

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" and "Extraordinary Unspecifiable Services" per N.J.S.A. 40A:11-5.

In as much 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. None were noted.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. General ledger accounting and record system.
3. Fixed asset accounting and reporting system.

The District is in compliance with requirements #2 and #3.

Over-expenditure of Budget Appropriations

The schedule of revenue and expenditures – budget and actual has over-expenditures in several budget line items (i.e. salaries and wages and related fringe benefits) and in total. Unanticipated costs such as maintenance and repairs costs related to the structural evaluation of the firehouse did not allow room for the district to make the necessary budget transfers to cover the over-expenditures.

Recommendation

It is recommended that budget versus actual expenditures be monitored on a periodic basis and necessary actions be taken to avoid over-expenditure of the budget in total or individual budget line items.

Management's Response

The District entered into a Shared Services Agreement with the Township of Boonton for a Qualified Purchasing Agent (QPA) Mr. Norman Eckstein. Procedurally, Mr. Eckstein is provided with the District's financial reports on a bi-weekly basis; the reports include all checks being issued at that meeting, as well as any relevant financial data and vendor statements. Mr. Eckstein is currently providing advice and scrutiny on purchases and insuring compliance with the District's Procurement Policy as well as compliance with individual line items in the District's budget.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Payroll

We noted an instance where an employee's salary adjustments were approved by the governing body but not formally documented in the minutes.

Recommendation

It is recommended that all salary adjustments approved by the governing body be formally documented in the minutes.

Management's Response

Management will ensure that salary adjustments are approved by the governing body are formally documented in the minutes.

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 101, *Compensated Absences*, is effective for the year ended December 31, 2024. This statement requires that the liability for compensated absences to be calculated for 1 – leave that has not been used and 2 – leave that has been used but not yet paid. The liability should be recognized for leave that has not been used if (a) – the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. The Statement directs that for leave that has not been used the calculation should generally use an employee's pay rate as of the date of the financial statements.

Status of Prior Year Recommendations

The prior year recommendations pertaining to the segregation of duties, confirming orders, and over-expenditures have not been resolved and are included as recommendations in the 2023 audit report.

TOWNSHIP OF HANOVER FIRE DISTRICT #3  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The District maintain an adequate segregation of duties with respect to the recording and treasury functions.
2. A formal purchase order encumbrance system be implemented to ensure that all purchase orders are approved prior to the purchase of goods or services and all required signatures are obtained before payments are released.
3. Budget versus actual expenditures be monitored on a periodic basis and necessary actions be taken to avoid over-expenditure of the budget in total or individual budget line items.
4. All salary adjustments are by the governing body are formally documented in the minutes.