

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**Fund Balance Reserves**

The Fire District reserves portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, excess surplus, and capital reserve account.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

All bank deposits as of December 31, 2012 are classified as to credit risk by the three categories described below:

**Category 1**

Insured or collateralized with securities held by the Fire District or by its agent in the Fire District's name.

**Category 2**

Collateralized with securities held by the pledging public depository's trust department or agent in the Fire District's name.

**Category 3**

Uncollateralized, including any deposits that are collateralized with securities by the pledging public depository, or by its trust department or agent but not in the Fire District's name.

The amounts on deposit of the Fire District's cash and investments at December 31, 2012 are categorized as follows: F.D.I.C. insured (category 1) and all others (category 3):

Category	Amount
Cash:	
F.D.I.C. insured	\$ 129,810.23
G.U.D.P.A. insured	-
	\$ 129,810.23

The carrying value of cash and cash equivalents on deposits is \$129,214.91.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 3 - PROPERTY TAX LEVIES**

The following is a tabulation of Fire District assessed valuations, tax levies, and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2012	\$ 148,336,095.00	\$ 216,461.00	\$ .187
2011	116,223,902.00	211,834.00	.183
2010	117,383,890.00	207,749.00	.177
2009	116,166,576.00	196,801.00	.170
2008	113,680,979.00	189,301.00	.167

**NOTE 4 - RECEIVABLES**

There were no receivables as of year-end for the Fire District's individual major funds.

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012
Vehicles	\$ 883,935.50	\$ -	\$ -	\$ 883,935.50
Firefighting equipment and fixtures	430,359.11	-	-	430,359.11
Construction in progress	-	731,300.00	-	731,300.00
Total capital assets being depreciated	1,314,294.61	731,300.00	-	2,045,594.61
Depreciation	845,278.14	41,824.91	-	887,103.05
Net assets	\$ 469,016.47	\$ 689,475.09	\$ -	\$ 1,158,491.56

Depreciation expense was charged to governmental funds as unallocated depreciation in the amount of \$41,824.91.



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 6 - LONG-TERM OBLIGATIONS**

During the year ended December 31, 2012, the following changes occurred in long-term obligations:

	Principal Outstanding January 1, 2012	Increases	Decreases	Principal Outstanding December 31, 2012
Obligations under lease	\$ 69,880.00	\$ 622,300.00	\$ 13,886.51	\$ 678,293.49

**General Obligation Bonds**

The Fire District had no general obligation bonds at December 31, 2012.

**Bonds Authorized and Issued or Unissued**

The Fire District had no outstanding bond anticipation notes at December 31, 2012.

**Compensated Absences**

The Fire District has no paid employees therefore, has no compensated absence liability.

**Capital Lease Payable**

Lease #1 - Purchase of miscellaneous firefighting equipment with Kansas State Bank of Manhattan dated June 30, 2011, at an interest rate of 4.09%. Annual payments of \$15,456.93 for a period of five years, final payment due January 16, 2016.

Lease #2 - Purchase of a new aerial fire apparatus with Pierce Manufacturing Company dated June 27, 2012, at an interest rate of 2.68%. Annual payments of \$71,766.16 for a period of ten years, final payment due June 27, 2022.

Year	Lease #1	Lease #2	Total
2013	\$ 15,456.93	\$ 71,766.16	\$ 87,223.09
2014	15,456.93	71,766.16	87,223.09
2015	15,456.93	71,766.16	87,223.09
2016	15,456.93	71,766.16	87,223.09
2017	-	71,766.16	71,766.16
2018	-	71,766.16	71,766.16
2019	-	71,766.16	71,766.16
2020	-	71,766.16	71,766.16
2021	-	71,766.16	71,766.16
2022	-	71,766.16	71,766.16
	61,827.72	717,661.60	779,489.32
Less: amount representing interest	5,834.23	95,361.60	101,195.83
Present value of minimum lease payments	\$ 55,993.49	\$ 622,300.00	\$ 678,293.49

**Operating Leases Payable**

At December 31, 2012, the Fire District had no obligations under operating leases.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 7 - RISK MANAGEMENT**

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

**Property and Liability Insurance**

The Fire District maintains commercial insurance coverage for property, liability, and surety bonds. Workman's compensation insurance is provided by the Township of Franklin.

**NOTE 8 - LENGTH OF SERVICE AWARD PROGRAM**

At the annual election held on February 19, 2005, the voters approved the creation of a length of service awards program (LOSAP). The program is designed to make a contribution of the maximum allowed by statute for each member who attains certain attendance and the participation goal into a individual retirement account. Members will be vested in the Fire District's contributions over a 5-year period. The Fire District has selected a plan administered by Lincoln Financial Group. This plan was previously reviewed and approved by the State of New Jersey. At December 31, 2012, the total value of the Fire District's plan was \$124,412.67. The contribution, as determined in 2013, for the year 2012 will be \$18,400.00; this contribution will be made during the year 2013.

**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables consist of the following:

Due From	Due To	
	General Fund	Total Due From
Capital projects fund	<u>\$ 2,500.00</u>	<u>\$ 2,500.00</u>

**NOTE 10 - FUND BALANCES**

**Reserved**

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of the fund balance are summarized below:

**For Capital Outlay** - These funds are reserved to complete capital projects authorized by the voters but not expended at the end of 2012. As of December 31, 2012, the balance was \$38,500.00. These funds will be expended in 2013 for the purchase of miscellaneous equipment for the new aerial fire apparatus.



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 10 - FUND BALANCES (Concluded)**

**Unreserved**

The following is the status of the unreserved fund balance at December 31, 2012:

	Balance December 31, 2012	Designated For Subsequent Year's Expenditures
General fund	\$ 51,116.19	\$ 11,500.00
Debt service fund	\$ 0.07	\$ -

**NOTE 11 - LITIGATION**

The Fire District is not a defendant in any legal proceedings at December 31, 2012.

**NOTE 12 - SUBSEQUENT EVENTS**

The voters approved the acquisition of a new aerial fire apparatus at the general election held on February 18, 2012, with a cost not to exceed \$790,000.00. The Fire District accepted bids for the new apparatus on May 30, 2012. The Board accepted the bid from Pierce Manufacturing Company in the amount of \$731,300.00. The Fire District has received quotations for the lease financing of the apparatus. The lowest quotation for the apparatus was received from Pierce Manufacturing Company at an interest rate of 2.68 % for a period of ten years beginning June 27, 2013 and ending June 27, 2022. The annual lease payments are \$71,766.16. The approval of the lease was received from the State of New Jersey Local Finance Board on August 18, 2012. As of the date of the audit, the new apparatus has not been received.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Miscellaneous revenues not anticipated:					
Interest on investments and deposits	\$ 0.00	\$ 0.00	\$ 0.00	\$ 428.15	\$ 428.15
Prior year refund	0.00	0.00	0.00	9,950.00	9,950.00
Total miscellaneous revenues not anticipated	0.00	0.00	0.00	10,378.15	10,378.15
Amount to be raised by taxation to support the district budget	200,850.00	0.00	200,850.00	200,850.00	0.00
Total anticipated revenues	200,850.00	0.00	200,850.00	211,228.15	10,378.15
<b>EXPENDITURES:</b>					
Operating appropriations:					
Administration:					
Election	300.00	0.00	300.00	210.00	90.00
Reimbursement for expenses and losses	1,500.00	0.00	1,500.00	1,100.00	400.00
Office expenses	1,000.00	0.00	1,000.00	3,880.05	(2,880.05)
Professional services	4,850.00	0.00	4,850.00	6,915.00	(2,065.00)
Total administration	7,650.00	0.00	7,650.00	12,105.05	(4,455.05)
Cost of operations and maintenance:					
Other expenses:					
Advertising	700.00	0.00	700.00	271.05	428.95
Maintenance and repairs	16,000.00	0.00	16,000.00	22,867.59	(6,867.59)
Insurance	23,500.00	0.00	23,500.00	18,022.89	5,477.11
Supplies expense	9,100.00	0.00	9,100.00	4,609.49	4,490.51

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
Budgetary Comparison Schedule  
General Fund

For the Year Ended December 31, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Cost of operations and maintenance:					
Other expenses (concluded):					
Training and education	\$ 4,000.00	\$ 0.00	\$ 4,000.00	\$ 1,855.00	\$ 2,145.00
Utilities	0.00	0.00	0.00	711.13	(711.13)
Rental charges	36,400.00	0.00	36,400.00	36,300.00	100.00
Purchase of assets not considered capital:					
Fire fighting equipment	18,000.00	0.00	18,000.00	12,530.93	5,469.07
Communication equipment	4,500.00	0.00	4,500.00	6,563.03	(2,063.03)
Total cost of operations and maintenance	112,200.00	0.00	112,200.00	103,731.11	8,468.89
Contribution to length of service award program (L.O.S.A.P.)	16,000.00	0.00	16,000.00	18,400.00	(2,400.00)
Total appropriations	135,850.00	0.00	135,850.00	134,236.16	1,613.84
Excess or (deficit) of revenues over (under) expenditures	65,000.00	0.00	65,000.00	76,991.99	11,991.99
Other financial sources and uses of funds:					
Operating transfers out - capital	(80,000.00)	0.00	(80,000.00)	(80,000.00)	0.00
Operating transfers out - capital	0.00	0.00	0.00	(25,000.00)	(25,000.00)
Prior period adjustment - accounts payable	0.00	0.00	0.00	(800.00)	(800.00)
Total other financial sources and uses of funds	(80,000.00)	0.00	(80,000.00)	(105,800.00)	(25,800.00)



FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Excess or (deficit) of revenues over (under) expenditures	\$ (15,000.00)	\$ 0.00	\$ (15,000.00)	\$ (28,808.01)	\$ (13,808.01)
Fund balances - January 1	79,924.20	0.00	79,924.20	79,924.20	0.00
Fund balances - December 31	\$ 64,924.20	\$ 0.00	\$ 64,924.20	\$ 51,116.19	\$ (13,808.01)
Recapitulation of excess (deficiency) of revenues over (under) expenditures:					
Encumbrances	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fund balance appropriated	(15,000.00)	0.00	(15,000.00)	(28,808.01)	(13,808.01)
	\$ (15,000.00)	\$ 0.00	\$ (15,000.00)	\$ (28,808.01)	\$ (13,808.01)



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Year Ended December 31, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Budget Favorable (Unfavorable)
<b>REVENUES:</b>					
Grant funds:					
Supplemental fire service grant	\$ 1,544.00	0.00	\$ 1,544.00	\$ 1,193.58	\$ (350.42)
Total grant funds	<u>1,544.00</u>	<u>0.00</u>	<u>1,544.00</u>	<u>1,193.58</u>	<u>(350.42)</u>
Amount to be raised by taxation to support the district budget	154.00	0.00	154.00	154.00	0.00
<b>Total revenues</b>	<u>1,698.00</u>	<u>0.00</u>	<u>1,698.00</u>	<u>1,347.58</u>	<u>(350.42)</u>
<b>EXPENDITURES:</b>					
Supplemental fire service grant:					
Assistance to firefighters grant	1,698.00	0.00	1,698.00	1,347.58	350.42
<b>Total expenditures</b>	<u>1,698.00</u>	<u>0.00</u>	<u>1,698.00</u>	<u>1,347.58</u>	<u>350.42</u>
Excess (deficiency) of revenues over (under) expenditures	0.00	0.00	0.00	0.00	0.00
Fund balance - January 1	0.00	0.00	0.00	0.00	0.00
Fund balance - December 31	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Note To RSI**  
**For the Year Ended December 31, 2012**

*Note A - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures*

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 211,228.15	\$ 1,347.58
Difference: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	<u>0.00</u>	<u>0.00</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 211,228.15</u>	<u>\$ 1,347.58</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 134,236.16	\$ 1,347.58
Differences - budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>0.00</u>	<u>0.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 134,236.16</u>	<u>\$ 1,347.58</u>



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Capital Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended December 31, 2012**

**REVENUES:**

Investment earnings	\$ 0.00
Total revenues	0.00

**EXPENDITURES:**

Capital lease	731,300.00
Financing cost	2,500.00
Total expenditures	733,800.00

Excess (deficiency) of revenues over (under) expenditures (733,800.00)

## Other financing sources (uses):

Operating transfers in - budget appropriation	105,000.00
Proceeds of capital lease	622,300.00
Total other financing sources (uses)	727,300.00

Excess (deficiency) of revenues and other financing sources (uses)  
over (under) expenditures and other financing sources (uses) (6,500.00)

Fund balance - January 1 45,000.00

Fund balance - December 31 \$ 38,500.00

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
 Capital Projects Fund  
 Summary Statement of Project Expenditures  
 As of December 31, 2012

Project Title	Authorization Date	Amount of Authorization	Balance December 31, 2011	Revenues					Balance December 31, 2012
				Transfer From Operating Budget Appropriations	Transfer From Reserve for Future Capital Outlay	Transfer from Unreserved Fund Balance	Proceeds of Capital Lease	Cash Disbursements	
Major acquisitions: Pierce 75' aerial ladder with 1500 GPM pump	2/18/12	\$ 790,000.00	\$ 0.00	\$ 0.00	\$ 125,000.00	\$ 25,000.00	\$ 622,300.00	\$ 733,800.00	\$ 38,500.00
Reserve for future capital outlay			45,000.00	80,000.00	(125,000.00)	0.00	0.00	0.00	0.00
			<u>\$ 45,000.00</u>	<u>\$ 80,000.00</u>	<u>\$ 0.00</u>	<u>\$ 25,000.00</u>	<u>\$ 622,300.00</u>	<u>\$ 733,800.00</u>	<u>\$ 38,500.00</u>



FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
 General Long-Term Debt Account Group  
 Schedule of Obligations Under Capital Leases  
 December 31, 2012

Description	Date of Lease	Term of Lease	Interest Rate Payable	Amount of Original Issue	Amount Outstanding December 31, 2011 (a)	Issued Current Year	Retired Current Year	Amount Outstanding December 31, 2012(a)
Miscellaneous firefighting equipment	6/30/11	5 Years	4.086%	\$ 69,880.00	\$ 69,880.00	-	\$ 13,886.51	\$ 55,993.49
Pierce 75' aerial ladder with 1500 GPM pump	6/27/12	10 Years	2.680%	622,300.00	0.00	622,300.00	0.00	622,300.00
					\$ 69,880.00	\$ 622,300.00	\$ 13,886.51	\$ 678,293.49

(a) Future interest payments are removed from outstanding balances at December 31, 2011 and 2012.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 December 31, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Budget Favorable (Unfavorable)
<b>REVENUES:</b>					
Amount to be raised by taxation to support the district budget	\$ 15,457.00	\$ 0.00	\$ 15,457.00	\$ 15,457.00	\$ 0.00
Total revenues	15,457.00	0.00	15,457.00	15,457.00	0.00
<b>EXPENDITURES:</b>					
Principal payments:					
Capital leases	13,887.00	(0.42)	13,886.58	13,886.51	0.07
Interest payments:					
Capital leases	1,570.00	0.42	1,570.42	1,570.42	0.00
Total expenditures	15,457.00	0.00	15,457.00	15,456.93	0.07
Excess (deficiency) of revenues over (under) expenditures	0.00	0.00	0.00	0.07	0.07
Fund balance - January 1	0.00	0.00	0.00	0.00	0.00
Fund balance - December 31	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.07	\$ 0.07



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**For the Year Ended December 31, 2012**

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Current Year Audit Findings**

None.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT**  
**For the Year Ended December 31, 2011**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Prior Year Audit Findings**

**Finding 2011-1**

**Condition**

The Fire District does not reconcile cash on a monthly basis.

**Recommendation**

The Fire District should reconcile cash on a monthly basis.

**Status**

The Fire District has taken action to correct this situation in 2013, however at the time of the audit the progress on this action could not be determined.

**Finding 2011-2**

**Condition**

The Fire District does not utilize a voucher for the payment of claims which contains the required signatures and certifications.

**Recommendation**

The Fire District should adopt the use of a voucher which contains all the required signatures and certifications.

**Status**

The Fire District has taken action to correct this situation 2013, however at the time of the audit the progress on this action could not be determined.

**Appreciation**

We express our appreciation for the assistance rendered and courtesies extended to us during the course of the audit.

Respectfully submitted,

*Ball, Buckley and Seher*

BALL, BUCKLEY AND SEHER, LLP

April 17, 2013