

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
FRANKLINVILLE, NEW JERSEY**

REPORT OF AUDIT

For the Year Ended December 31, 2020

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Introductory Section

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
OFFICIALS IN OFFICE AND SURETY BONDS
December 31, 2020**

Amount Of
Surety Bond

Board of Commissioners

Andrew Bellone, Jr. - Chairman	
Samuel Scapellato - Vice Chairman	
Joseph Scapellato - Treasurer	\$ 50,000.00
Mykola Myronowskyj - Secretary	
Thomas Bellone, Sr. - Commissioner	

Other Officials

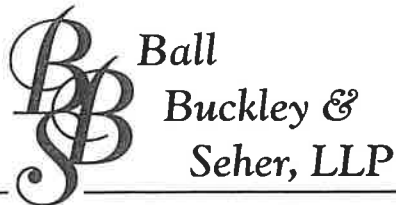
Joseph Hoffman, Esquire - Solicitor
Dennis Allonardo, Chief

Surety Company

American Alternative Insurance Corporation

The Board also has a blanket bond in the amount of \$50,000.00 covering all employees of the District.

Financial Section



CERTIFIED PUBLIC ACCOUNTANTS



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED
BY REQUIRED SUPPLEMENTARY INFORMATION - GOVERNMENTAL ENTITY**

Independent Auditor's Report

Honorable Chairman and Members
of the Board of Fire Commissioners
Franklin Township Fire District No. 4
Vineland, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Township Fire District No. 4, County of Gloucester, State of New Jersey, as of and for the year ended December 31, 2020, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

General fixed assets are presented in these general purpose financial statements at estimated cost, with the exception of additions acquired in 2005 and subsequent years which are presented at actual cost, which is not in accordance with generally accepted accounting principles. The cost of land is not presented in these general purpose financial statements.

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

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

Opinions

In our opinion, except for the presentation of the general fixed assets, as described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District as of December 31, 2020, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements. The accompanying major fund supporting statements and schedules are presented for purposes of additional analysis, as required by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

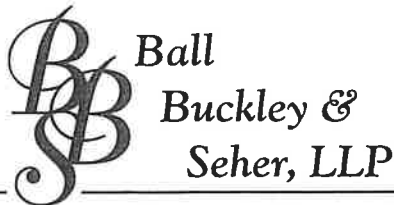
In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2021 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Fire 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 the Fire District's internal control over financial reporting and compliance.

Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP
Woodbury, New Jersey

November 11, 2021



CERTIFIED PUBLIC ACCOUNTANTS



**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 Identified, No Significant Deficiencies Identified,
Reportable Instances of Noncompliance or Other Matters Identified)**

Independent Auditor's Report

Honorable Chairman and Members
of the Board of Fire Commissioners
Franklin Township Fire District No. 4
Vineland, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and each major fund of Franklin Township Fire District No. 4, County of Gloucester, State of New Jersey as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated November 11, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of This Report

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

Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP
Woodbury, New Jersey

November 11, 2021

Required Supplementary Information - Part I

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR DECEMBER 31, 2020
(UNAUDITED)**

As management of the Franklin Township Fire District No. 4 (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ending December 31, 2020. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should read it in conjunction with the notes to the financial statements and the financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent year by \$2,146,541.06 (net position).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$718,787.13, an increase of \$109,216.08 in comparison with the prior year. The increase in combined fund balance was the result of excess realized revenue for interest earned on investments of \$1,288.74, a prior year insurance claim of \$1,306.71, unexpended balances of appropriations of \$88,431.15, an increase in reserve for future capital outlays of \$25,020.00, and a decrease in the debt service fund balance of \$0.52. These increases and decreases were offset by the use of unreserved fund balance in the amount of \$6,830.00 to balance the 2020 budget.
- At the end of the current year, the fund balance for the general fund was \$553,562.50, an increase of \$84,196.60 or 17.91% over the prior year. It was comprised of \$7,000.00 reserved for subsequent year's expenditures and \$546,562.50 unreserved.
- At the end of the current year, the fund balance for the special revenue fund was \$3,547.00, which is the same as the prior year.
- At the end of the current year, the fund balance for the capital projects fund was \$161,675.05, which is an increase of \$25,020.00 over the prior year. The increase in fund balance is the result of an appropriation in the current year's budget of \$25,020.00 to the reserve for future capital outlays.
- At the end of the current year, the fund balance for the debt service fund was \$2.58, which is a decrease of \$0.52 from the prior year. The decrease was the result of debt service revenues not exceeding expenditures in the budget due to rounding.
- The total debt of the Fire District decreased by \$143,006.29 as a result of the budgeted debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's financial statements. The Fire District's financial statements comprise of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

District-wide financial statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities of the Fire District, with the difference between the two reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

The *statement of activities* presents information showing how the net positions of the Fire District changed during the most recent year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. reserve for future post-retirements benefits).

Both of the district-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting which is provided to the citizens of the Fire District.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District constitute one fund type, governmental funds.

- **Governmental funds.** All of the Fire District’s activities are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Fire District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the statement of net positions and the statement of activities) and governmental funds is reconciled in the financial statements.

Also, the Fire District adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with this budget.

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

District-wide financial analysis

As noted earlier, net positions may serve over time as a useful indicator of a government’s financial position. In the case of the Fire District, assets exceeded liabilities by \$2,146,541.06 at the close of the most recent year.

The largest portion of the Fire District’s net positions 66.90% reflects its investment in capital assets (i.e. buildings and equipment). The Fire District uses these assets to provide fire-fighting services to the citizens of the Fire District. Consequently, these assets are not available for future spending. Although the Fire District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Positions

	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 758,747.64	\$ 650,547.45
Capital assets	<u>1,860,445.13</u>	<u>2,041,406.44</u>
Total assets	<u>2,619,192.77</u>	<u>2,691,953.89</u>

	<u>2020</u>	<u>2019</u>
Liabilities:		
Long-term liabilities outstanding	\$ 325,089.46	\$ 424,293.74
Other liabilities	<u>147,562.25</u>	<u>195,026.39</u>
Total liabilities	<u>472,651.71</u>	<u>619,320.13</u>
Net positions	<u>\$ 2,146,541.06</u>	<u>\$ 2,072,633.76</u>
Analysis of net positions:		
Investment in capital assets, net of depreciation and related debt	\$ 1,436,151.39	\$ 1,474,106.41
Restricted:		
Capital projects	16.05	16.05
Future capital outlays	161,659.00	136,639.00
Designated for subsequent year's expenditures	7,000.00	6,830.00
Unrestricted	<u>541,714.62</u>	<u>455,042.30</u>
Total net positions	<u>\$ 2,146,541.06</u>	<u>\$ 2,072,633.76</u>

In total, assets of governmental activities increased by \$73,907.30 primarily due to reporting changes surrounding capital assets. For the year 2020, capital assets are now reported net of accumulated depreciation that as of December 31, 2020 was \$1,860,445.13 and debt associated with the assets was \$424,293.74.

Governmental activities. The statement of activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

	<u>2020</u>	<u>2019</u>
Expenses:		
Operating expenses:		
Administration	\$ 67,197.67	\$ 92,414.62
Cost of operations and maintenance	132,199.27	129,483.95
Length of service awards program	36,210.51	37,226.40
Interest on long-term debt	12,748.99	16,409.05
Unallocated depreciation	<u>212,497.19</u>	<u>212,134.52</u>
Total program expenses	460,853.63	487,668.54
Revenues:		
Operating grants and contributions	<u>1,136.48</u>	<u>1,136.48</u>
Net program expenses	<u>459,717.15</u>	<u>486,532.06</u>
General revenues:		
Taxes:		
Property taxes, levied for general purposes	372,628.00	364,315.00
Property taxes, levied for debt service	158,401.00	158,402.00
Unrestricted investment earnings	1,288.74	1,223.57
Prior year insurance claim	<u>1,306.71</u>	<u>-</u>
Total general revenues	<u>533,624.45</u>	<u>523,940.57</u>

	<u>2020</u>	<u>2019</u>
Excess in net positions	\$ 73,907.30	\$ 37,408.51
Net positions - January 1	<u>2,072,633.76</u>	<u>2,035,225.25</u>
Net positions - December 31	<u>\$ 2,146,541.06</u>	<u>\$ 2,072,633.76</u>

Property taxes constituted 99.30% of revenues for governmental activities for the Fire District for the year 2020.

Cost of operations and maintenance comprises 28.69% of the Fire District's expenses, with administration comprising 14.58%, and the length of service awards program comprising 7.86%.

Financial Analysis of the Governmental Funds

As stated earlier, the Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Fire District's governmental funds reported combined ending fund balances of \$718,787.13, an increase of \$109,216.08 in comparison with the prior year. The increase in combined fund balance was the result of excess realized revenue for interest earned on investments of \$1,288.74, a prior year insurance claim of \$1,306.71, unexpended balances of appropriations of \$88,431.15, an increase in reserve for future capital outlays of \$25,020.00, and a decrease in the debt service fund balance of \$0.52. These increases and decreases were offset by the use of unreserved fund balance in the amount of \$6,830.00 to balance the 2020 budget.

Of the combined ending fund balances of \$718,787.13, unreserved fund balance constituted \$550,112.08.

The general fund is the main operating fund of the Fire District. At the end of the current year, unreserved fund balance of the general fund was \$546,562.50, while the total fund balance was \$553,562.50.

The fund balance of the Fire District's general fund increased by \$84,196.60 during the current year. Key factors are as follows:

- The amount realized for miscellaneous revenues was \$2,595.45 more than the amount anticipated in the 2020 budget.
- The amount expended under the administrative budget category was \$38,992.33 less than budget appropriations. Variations in budget appropriation amounts are detailed on Exhibit C-1.
- The amount expended under the operating and maintenance budget category was \$10,649.33 less than budget appropriations. Variations in budget appropriation amounts are detailed on Exhibit C-1.
- The amount expended under the length of service awards program budget category was \$38,789.49 less than budget appropriations. Variations in budget appropriation amounts are detailed on Exhibit C-1.

The special revenue fund had a fund balance of \$3,547.00 at the end of the current year, which is the same as the prior year.

The capital projects fund had a fund balance of \$161,675.05 at the end of the current year, which is an increase of \$25,020.00 over the prior year. The increase in fund balance is the result of an appropriation in the current year's budget of \$25,020.00 to the reserve for future capital outlays.

General Fund Budgetary Highlights

During the course of the year 2020, the Fire District modified its general fund budget in conformance with statute.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$372,628.00. The original budgetary estimate was the same.

During the year 2020, the Fire District budgeted revenues as follows:

- Property taxes (local tax levy) was \$372,628.00.
- State aid from supplemental fire safety grant was \$1,136.48.
- Prior year insurance claim was \$1,306.71.

The Fire District has no paid employees, therefore there are no members of the statewide pension system.

The final budgetary basis expenditures appropriation estimate was \$379,458.00. The original budget estimate was the same.

The final budgetary basis expenditures appropriation estimate exceeds the final budgetary basis revenue by \$6,830.00. This is attributable to the use of \$6,830.00 of the fund balances from December 31, 2019.

Capital Assets and Debt Administration

Capital Assets. The Fire District's investment in capital assets for its governmental activities as of December 31, 2020 amounts to \$1,860,445.13 (net of accumulated depreciation). This investment in capital assets includes vehicles, leasehold improvements, and firefighting equipment and fixtures. During 2020, the Fire District acquired \$31,535.88 in equipment.

At the end of 2020, the Fire District had \$4,333,335.25 invested in vehicles, leasehold improvements, and firefighting equipment and fixtures. The accumulated depreciation on these items was \$2,472,890.12.

**Capital Assets (Net of Accumulated Depreciation)
At December 31, 2020 and 2019**

	2020	2019
Vehicles	\$ 1,592,787.28	\$ 1,725,119.58
Leasehold improvements	2,224.70	2,706.55
Firefighting equipment and fixtures	265,433.15	313,580.31
Total capital assets	\$ 1,860,445.13	\$ 2,041,406.44

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

Long-Term Obligations. The Fire District has no outstanding serial bonds at December 31, 2020.

As of December 31, 2020, the Fire District has an obligation under a capital lease agreement in the amount of \$0.00; this represents principal on the cost of the acquisition of a Sutphen Tanker and personal protective equipment. This principal, along with applicable interest, will be paid in seven annual installments of \$47,807.50 between the years 2014 and 2020.

As of December 31, 2020, the Fire District has an obligation under a capital lease agreement in the amount of \$371,353.63; this represents principal on the cost of the acquisition of a KME Heavy Rescue Truck. This principal, along with applicable interest, will be paid in seven annual installments of \$98,372.05 between the years 2018 and 2024. This lease also called for the Fire District to make an initial payment of principal and interest of \$220,000.00 on January 15, 2017.

As of December 31, 2020, the Fire District has an obligation under a capital lease agreement in the amount of \$52,940.11; this represents principal on the cost of the acquisition of a 2018 Chevrolet Tahoe Command Vehicle. This principal, along with applicable interest, will be paid in seven annual installments of \$12,221.97 between the years 2019 and 2025.

The Fire District has no obligation for compensated absences pertaining to unused sick time.

Economic Factors and Next Year's Budget

For the year 2020, the Fire District was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99.30% of total revenue is from the local tax levy, while the remaining 0.70% is from other sources.

The Board of Fire Commissioners adopted the 2021 budget on December 22, 2020 and the voters subsequently approved the budget at the annual Fire District election held on April 20, 2021.

Requests for Information

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mykola Myronowskyj, Secretary, Franklin Township Fire District No. 4, 1635 Forest Grove Road, Vineland, New Jersey 08360.

Basic Financial Statements

District-Wide Financial Statements

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Statement of Net Positions
December 31, 2020

ASSETS:

Cash and cash equivalents	\$	597,071.31
Accounts receivable		1.28
Restricted assets:		
Cash and cash equivalents		161,675.05
Capital assets, net		1,860,445.13
Total assets		2,619,192.77

LIABILITIES:

Accounts payable		39,960.51
Accrued interest payable		8,397.46
Noncurrent liabilities:		
Due within one year		99,204.28
Due beyond one year		325,089.46
Total liabilities		472,651.71

NET POSITIONS:

Invested in capital assets, net of related debt		1,436,151.39
Restricted for:		
Capital projects		16.05
Future capital projects		161,659.00
Subsequent year's expenditures		7,000.00
Unrestricted		541,714.62
Total net positions	\$	2,146,541.06

The accompanying notes to financial statements are an integral part of this statement.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Statement of Activities
For the Year Ended December 31, 2020

PROGRAM EXPENSES:

Operating appropriations:

Administration	\$ 67,197.67
Cost of operations and maintenance	132,199.27
Length of service awards program (L.O.S.A.P.)	36,210.51
Interest on long-term debt	12,748.99
Unallocated depreciation	212,497.19
Total program expenses	460,853.63

PROGRAM REVENUES:

Operating grants and contributions

Total program revenues	1,136.48
Net program expenses	459,717.15

GENERAL REVENUES:

Taxes:

Property taxes, levied for general purposes	372,628.00
Property taxes, levied for debt service purposes	158,401.00
Unrestricted investment earnings	1,288.74
Prior year insurance claim	1,306.71
Total general revenues	533,624.45

Increase (decrease) in net positions	73,907.30
Net positions - January 1	2,072,633.76
Net positions - December 31	\$ 2,146,541.06

The accompanying notes to financial statements are an integral part of this statement.

Fund Financial Statements

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
 Balance Sheet
 Governmental Funds
 For the Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 726,451.56	\$ 7,020.00	\$ 16.05	\$ 25,258.75	\$ 758,746.36
Due from Township of Franklin - district taxes	1.28	0.00	0.00	0.00	1.28
Due from general fund	0.00	0.00	132,929.83	0.00	132,929.83
Due from special revenue fund	0.00	0.00	3,473.00	0.00	3,473.00
Due from debt service fund	0.00	0.00	25,256.17	0.00	25,256.17
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 39,960.51	\$ 0.00	\$ 0.00	\$ 0.00	\$ 39,960.51
Due to capital projects fund	132,929.83	3,473.00	0.00	25,256.17	161,659.00
Total liabilities	<u>172,890.34</u>	<u>3,473.00</u>	<u>0.00</u>	<u>25,256.17</u>	<u>201,619.51</u>
Fund balances:					
Reserved:					
Capital projects	0.00	0.00	16.05	0.00	16.05
Future capital outlays	0.00	0.00	161,659.00	0.00	161,659.00
Subsequent year's expenditures	7,000.00	0.00	0.00	0.00	7,000.00
Unreserved:					
Undesignated, reported in:					
General fund	546,562.50	3,547.00	0.00	2.58	550,112.08
Total fund balances	<u>553,562.50</u>	<u>3,547.00</u>	<u>161,675.05</u>	<u>2.58</u>	<u>718,787.13</u>
Total liabilities and fund balances	<u>\$ 726,452.84</u>	<u>\$ 7,020.00</u>	<u>\$ 161,675.05</u>	<u>\$ 25,258.75</u>	

Amounts reported for governmental activities in the statement of net positions (A-1) are different because:
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,333,335.25 and the accumulated depreciation is \$2,472,890.12

Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (424,293.74)

Interest on long-term debt in the statement of activities is accrued regardless of when due (8,397.46)

\$ 2,146,541.06

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Operating grant revenue	\$ 0.00	\$ 1,136.48	\$ 0.00	\$ 0.00	\$ 1,136.48
Amount to be raised by taxation to support the district budget	372,628.00	0.00	0.00	158,401.00	531,029.00
Non-budgetary revenues	2,595.45	0.00	0.00	0.00	2,595.45
Total revenues	<u>375,223.45</u>	<u>1,136.48</u>	<u>0.00</u>	<u>158,401.00</u>	<u>534,760.93</u>
EXPENDITURES:					
Operating appropriations:					
Administration	67,197.67	0.00	0.00	0.00	67,197.67
Cost of operations and maintenance	162,598.67	1,136.48	0.00	0.00	163,735.15
Contribution to length of service awards program (L.O.S.A.P.)	36,210.51	0.00	0.00	0.00	36,210.51
Debt service:					
Principal	0.00	0.00	0.00	143,006.29	143,006.29
Interest and other charges	0.00	0.00	0.00	15,395.23	15,395.23
Total expenditures	<u>266,006.85</u>	<u>1,136.48</u>	<u>0.00</u>	<u>158,401.52</u>	<u>425,544.85</u>
Excess (deficiency) of revenues over (under) expenditures	109,216.60	0.00	0.00	(0.52)	109,216.08
OTHER FINANCING SOURCES (USES):					
Operating transfers in (out):					
Reserve for future capital outlay	(25,020.00)	0.00	25,020.00	0.00	0.00
Total other financing sources (uses)	<u>(25,020.00)</u>	<u>0.00</u>	<u>25,020.00</u>	<u>0.00</u>	<u>0.00</u>
Net change in fund balances	84,196.60	0.00	25,020.00	(0.52)	109,216.08
Fund balance - January 1	469,365.90	3,547.00	136,655.05	3.10	609,571.05
Fund balance - December 31	\$ 553,562.50	\$ 3,547.00	\$ 161,675.05	\$ 2.58	\$ 718,787.13

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2020

Total net change in fund balances - governmental funds (from B-2)	\$	109,216.08
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Depreciation expense	\$ (212,497.19)	
Capital outlays	<u>31,535.88</u>	(180,961.31)

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

143,006.29

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

Capital leases		<u>2,646.24</u>
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Change in net positions of governmental activities	\$	<u><u>73,907.30</u></u>
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Notes To The Financial Statements

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

Franklin Township Fire District No. 4 is a political subdivision of the Township of Franklin, County of Gloucester, State of New Jersey. It was formed through the adoption of a Township ordinance. A board of 5 commissioners oversees all operations of the Fire District. The length of each commissioner's term is 3 years with the annual election held on the third Saturday of every February.

Fire districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Franklin Township Fire District No. 4 has 1 fire company within its jurisdiction - the Forest Grove Fire Company.

The primary criterion for including activities within the Fire District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Fire District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Fire District over which the Board of Commissioners exercises operating control.

Component Units

The Governmental Accounting Standards (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment to GASB Statements No. 14 and No. 39, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* an amendment to GASB Statement No. 14 provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 an amendment to GASB Statements No. 14 and 39, and GASB Statement No. 80 an amendment to GASB Statement No. 14. As of December 31, 2020, it has been determined by the Fire District that no component units exist.

Basis of Presentation

The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's financial statements consist of district-wide statements including a statement of net positions and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Concluded)

District-Wide Financial Statements - The statement of net positions and the statement of activities display information about the Fire District as a whole. These statements include the financial activities of the government. The statement of net positions presents the financial condition of the governmental activities of the Fire District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

Fund Financial Statements - During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, that being governmental.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major governmental funds:

General Fund - The general fund is the primary operating fund of the Fire District. It is used to account for all financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The financial resources are derived from temporary notes and general obligations bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

District-Wide Financial Statements - The district-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Fire District are included on the statement of net positions.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and use (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds uses the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) taxes are susceptible to accrual, as 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 fire district year. The Fire 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 Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

Under the modified accrual basis, the following revenues sources are considered to be both measurable and available at year-end: grants, fees, and rentals.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Concluded)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets/Budgetary Control

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

The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A. 40A:14-78.5.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the fire district's financial statements.

Amounts reported under "final budget" on Exhibits C-1, C-2 and I-3, includes modifications to the adopted budget that were made during the last two months of the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures, and changes in fund balances - governmental funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

Encumbrances

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than in the special revenue fund are reported as reservations of fund balances at year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The Franklin Township Fire District No. 4 does not currently operate a full encumbrance accounting system.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances (Concluded)

Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as unearned revenues at year end.

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

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks all highly liquid investments with a maturity of three months or less at the time of purchase are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments.

Additionally, the Fire District adopted a cash management plan which requires it to deposit fund in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act. The Act was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include state or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings and banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Inventories and Prepaid Expenses - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the district-wide financial statement are recorded as expenditures when consumed rather than when purchased. As of December 31, 2020, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2020. The Fire District has no prepaid expenses.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods and services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Positions.

Capital Assets

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net positions but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District does not have a capitalization threshold. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

- Buildings and improvements - 40 years
- Vehicles - 20 years
- Firefighting equipment and fixtures - 10 years
- Computer equipment - 5 years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for fire districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000.00 or two percent of the assessed valuation of property, whichever is larger.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Net Positions

Net positions represent the difference between assets and liabilities. Net positions invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Fire District applies restricted resources when an expense is incurred for purchases for which both restricted and unrestricted net positions are available.

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. At December 31, 2020, the Fire District has reserved funds for future capital outlays in the amount of \$161,659.00, reserve for capital projects in the amount of \$16.05 and \$0.00 utilized in the 2021 budget to offset budgetary expenditures.

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.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statement that will become effective for the Fire District in future years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the Fire District in the year ending December 31, 2022. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Fire District.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 2 - INVESTMENTS

As of December 31, 2020 and 2019, the District did not have any investments.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statute 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statute 40A:5-15.1(a) limits investments to those specified in the Statutes. The type of allowable investments are bonds of the United States of America, the local unit, or school districts of which the local unit is a part: obligations of federal agencies not exceeding 397 days; government money market investment funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

NOTE 3 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of December 31, 2020, the Fire District's bank balances were exposed to custodial credit risk as follows:

Insurance	\$ 250,000.00
Uninsured and collateralized with securities held by pledging financial institutions (GUDPA)	<u>400,392.93</u>
	<u>\$ 650,392.93</u>

NOTE 4 - 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
2020	\$ 265,229,876.00	\$ 531,029.00	\$.201
2019	265,509,958.00	522,717.00	.197
2018	264,450,147.00	520,616.00	.197
2017	268,688,801.00	519,469.00	.190
2016	268,110,283.00	500,401.00	.187

NOTE 5 - RECEIVABLES

At December 31, 2020, the Fire District has an account receivable of \$1.28 from the Township of Franklin for district taxes.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Vehicles	\$ 2,665,038.70	\$ 0.00	\$ 0.00	\$ 2,665,038.70
Leasehold improvements	59,040.62	0.00	0.00	59,040.62
Firefighting equipment and fixtures	1,577,720.05	31,535.88	0.00	1,609,255.93
Total capital assets being depreciated	<u>\$ 4,301,799.37</u>	<u>\$ 31,535.88</u>	<u>\$ 0.00</u>	<u>4,333,335.25</u>
Accumulated depreciation December 31, 2020				<u>2,472,890.12</u>
Net value of capital assets December 31, 2020				<u>\$ 1,860,445.13</u>

During the year under audit, the Fire District updated and valued the inventory of fixed assets. The inventory was valued at cost or estimated cost. The Fire District also developed a system to allow the tracking of additions and deletions.

Depreciation expense was charged to governmental funds as unallocated depreciation in the amount of \$212,497.19.

NOTE 7 - LONG-TERM OBLIGATIONS

During the year ended December 31, 2020, the following changes occurred in long-term obligations:

	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020	Due Within One Year
Obligations under capital leases	\$ 567,300.03	\$ 0.00	\$ 143,006.29	\$ 424,293.74	\$ 99,204.28
Total governmental activities - long-term liabilities	<u>\$ 567,300.03</u>	<u>\$ 0.00</u>	<u>\$ 143,006.29</u>	<u>\$ 424,293.74</u>	<u>\$ 99,204.28</u>

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 7 - LONG-TERM OBLIGATIONS (Concluded)

General Obligation Bonds

As of December 31, 2020, the Fire District has no outstanding general obligation bonds.

Bonds Authorized and Issued or Unissued

As of December 31, 2020, the Fire District had no authorized and issued or unissued bonds.

Compensated Absences

The Fire District has no paid employees, therefore there is no liability for compensated absences.

Capital Leases Payable

Lease 1 - The Fire District entered into a capital lease agreement with Leasing 2, Inc. on June 1, 2013, to lease a Sutphen Tanker and personal protective equipment. The term of the lease requires seven annual installments of \$47,807.50, at 3.21% interest. The lease was paid in full on June 1, 2020.

Lease 2 - The Fire District entered into a capital lease agreement with Leasing 2, Inc. on May 31, 2016, to lease a KME Heavy Rescue Truck. The term of the lease requires an initial payment of \$220,000.00 on January 31, 2017 and seven annual installments of \$98,372.05, at 2.35% interest. The lease will be paid in full on March 15, 2024.

Lease 3 - The Fire District entered into a capital lease agreement with Leasing 2, Inc. on June 30, 2018, to lease a Chevrolet Tahoe Command Vehicle. The term of the lease requires seven annual installments of \$12,221.97, at 4.69% interest. The lease will be paid in full on March 1, 2025.

The following schedule details the required lease payments:

Year	Lease 1	Lease 2	Lease 3	Total
2021	\$ -	\$ 98,372.05	\$ 12,221.97	\$ 110,594.02
2022	-	98,372.05	12,221.97	110,594.02
2023	-	98,372.05	12,221.97	110,594.02
2024	-	98,372.05	12,221.97	110,594.02
2025	-	-	12,221.97	12,221.97
	-	393,488.20	61,109.85	454,598.05
Less: amount representing interest	-	22,134.57	8,169.74	30,304.31
Present value of minimum lease payments	\$ -	\$ 371,353.63	\$ 52,940.11	\$ 424,293.74

NOTE 8 - OPERATING LEASE OBLIGATIONS

As of December 31, 2020, the Fire District has no operating lease obligations.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9- 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. The Fire District maintains commercial insurance coverage for property, liability, and surety bonds.

The Fire District purchases private insurance policies to cover the following risks:

- Property Policy
- Automobile Policy
- Crime Policy
- Casualty Policy
- Environmental Legal Liability Policy
- Public Officials and Employment Liability Policy
- Excess Liability Policy
- Workmen's Compensation Policy

NOTE 10 - LENGTH OF SERVICE AWARD PROGRAM

The Commissioners of the Franklin Township Fire District No. 4 approved the creation of a Length of Service Award Program (L.O.S.A.P.) by resolution in the year 2001. The voters approved the plan at the annual election held on February 16, 2001. The plan calls for members of the Forest Grove Fire Company to accumulate points by attending emergency calls, meetings, training, and other fire company functions. These points are summarized by the fire officers and a list of point accumulation is posted annually. Members have thirty (30) days to challenge the point accumulation. If no protests are received, the list is certified to the Commissioners. Based on the certified list, contributions are made to the individual members' retirement account. At December 31, 2020, the total value of the Fire District's plan was \$558,138.18. Contributions for the years 2020 and 2019, were \$36,210.51 and \$37,226.40, respectively; no pro-ratio is permitted by the plan.

The Commissioners selected a plan administered by the Variable Annuity Life Insurance Company (VALIC) which had previously been approved by the State of New Jersey, Department of Community Affairs. The Commissioners make a contribution to the plan administrator based on the certified list. Members' interest in their individual accounts is vested at the end of five (5) eligible years in the plan.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of the following:

Due From	Due To	
	Capital Projects Fund	Total Due From
General fund	\$ 132,929.83	\$ 132,929.83
Special revenue fund	3,473.00	3,473.00
Debt service fund	25,256.17	25,256.17
Total	<u>\$ 161,659.00</u>	<u>\$ 161,659.00</u>

NOTE 12 - 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 appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

For Future Capital Outlays - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2020, the balance is \$161,659.00. Of this balance, \$0.00 has been designed for capital expenditures in the 2021 budget.

Unreserved

The following is the status of the unreserved fund balance at December 31, 2020:

	Balance December 31, 2020	Designated For Subsequent Year's Expenditures
General fund	\$ 553,562.50	\$ 7,000.00
Special revenue fund	\$ 3,547.00	\$ -
Debt service fund	\$ 2.58	\$ -

NOTE 13 - LITIGATION

The Fire District is not a defendant in any legal proceedings at December 31, 2020.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 11, 2021, which is the date that the financial statements were available to be issued.

Required Supplementary Information - Part II

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
 Budgetary Comparison Schedule
 General Fund

For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
REVENUES:					
Miscellaneous revenues not anticipated:					
Interest in investments and deposits	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,288.74	\$ 1,288.74
Prior year insurance claim	0.00	0.00	0.00	1,306.71	1,306.71
Total miscellaneous revenues not anticipated	0.00	0.00	0.00	2,595.45	2,595.45
Amount to be raised by taxation to support the district budget	372,628.00	0.00	372,628.00	372,628.00	0.00
Total anticipated revenues	372,628.00	0.00	372,628.00	375,223.45	2,595.45
EXPENDITURES:					
Operating appropriations:					
Administration:					
Other expenses:					
Board expenses	8,000.00	0.00	8,000.00	8,000.00	0.00
Election	1,200.00	0.00	1,200.00	214.50	985.50
OSHA mandated testing	4,000.00	0.00	4,000.00	3,891.36	108.64
Office expenses	7,500.00	0.00	7,500.00	5,924.30	1,575.70
Professional services	20,000.00	0.00	20,000.00	10,244.90	9,755.10
Insurance	70,000.00	(9,960.00)	60,040.00	33,477.52	26,562.48
Promotion	5,000.00	450.00	5,450.00	5,445.09	4.91
Total administration	115,700.00	(9,510.00)	106,190.00	67,197.67	38,992.33

**EXHIBIT C-1
(Continued)**

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
EXPENDITURES:					
Cost of operations and maintenance:					
Other expenses:					
Maintenance and repairs	\$ 64,000.00	\$ 4,000.00	\$ 68,000.00	\$ 67,690.32	\$ 309.68
Professional services	6,000.00	0.00	6,000.00	0.00	6,000.00
Rent	28,574.00	10.00	28,584.00	28,574.28	9.72
Supplies expenses	10,000.00	0.00	10,000.00	7,558.57	2,441.43
Training and education	9,000.00	5,500.00	14,500.00	14,283.08	216.92
Utilities	5,300.00	0.00	5,300.00	4,684.43	615.57
Purchase of assets not considered capital:					
Other fire equipment	40,864.00	0.00	40,864.00	39,807.99	1,056.01
Total cost of operations and maintenance	<u>163,738.00</u>	<u>9,510.00</u>	<u>173,248.00</u>	<u>162,598.67</u>	<u>10,649.33</u>
Length of service awards program (L.O.S.A.P.)	<u>75,000.00</u>	<u>0.00</u>	<u>75,000.00</u>	<u>36,210.51</u>	<u>38,789.49</u>
Total appropriations	<u>354,438.00</u>	<u>0.00</u>	<u>354,438.00</u>	<u>266,006.85</u>	<u>88,431.15</u>

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Excess or (deficit) of revenues over (under) expenditures	\$ 18,190.00	\$ 0.00	\$ 18,190.00	\$ 109,216.60	\$ 91,026.60
Other financial sources (uses) of funds:					
Operating transfers out:					
Reserve for future capital outlay	(25,020.00)	0.00	(25,020.00)	(25,020.00)	0.00
Total other financial sources (uses) of funds	(25,020.00)	0.00	(25,020.00)	(25,020.00)	0.00
Excess (deficiency) of revenues over (under) expenditures	(6,830.00)	0.00	(6,830.00)	84,196.60	91,026.60
Fund balances - January 1	469,365.90	0.00	469,365.90	469,365.90	0.00
Fund balances - December 31	\$ 462,535.90	\$ 0.00	\$ 462,535.90	\$ 553,562.50	\$ 91,026.60
Recapitulation of excess (deficiency) of revenues over (under) expenditures:					
Fund balance appropriated	\$ (6,830.00)	\$ 0.00	\$ (6,830.00)	\$ 84,196.60	\$ 91,026.60
	\$ (6,830.00)	\$ 0.00	\$ (6,830.00)	\$ 84,196.60	\$ 91,026.60

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Budget Favorable (Unfavorable)
REVENUES:					
State and federal grant funds:					
Supplemental fire service grant	\$ 1,136.00	0.00	\$ 1,136.00	\$ 1,136.48	\$ 0.48
Total state and federal grant funds	<u>1,136.00</u>	<u>0.00</u>	<u>1,136.00</u>	<u>1,136.48</u>	<u>0.48</u>
Total revenues	<u>1,136.00</u>	<u>0.00</u>	<u>1,136.00</u>	<u>1,136.48</u>	<u>0.48</u>
EXPENDITURES:					
Supplemental fire service grant	<u>1,136.00</u>	<u>0.00</u>	<u>1,136.00</u>	<u>1,136.48</u>	<u>(0.48)</u>
Total expenditures	<u>1,136.00</u>	<u>0.00</u>	<u>1,136.00</u>	<u>1,136.48</u>	<u>(0.48)</u>
Excess (deficiency) of revenues over (under) expenditures	0.00	0.00	0.00	0.00	0.00
Fund balance - January 1	<u>3,547.00</u>	<u>0.00</u>	<u>3,547.00</u>	<u>3,547.00</u>	<u>0.00</u>
Fund balance - December 31	<u>\$ 3,547.00</u>	<u>\$ 0.00</u>	<u>\$ 3,547.00</u>	<u>\$ 3,547.00</u>	<u>\$ 0.00</u>

Notes To The Required Supplementary Information

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Required Supplementary Information
Budgetary Comparison Schedule
Note To RSI
For the Year Ended December 31, 2020

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 375,223.45	\$ 1,136.48
Difference: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	0.00	0.00
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 375,223.45	\$ 1,136.48
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 266,006.85	\$ 1,136.48
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	0.00	0.00
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 266,006.85	\$ 1,136.48

Other Supplementary Information

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2020

REVENUES:		
Investment earnings	\$	0.00
	Total revenues	<u>0.00</u>
EXPENDITURES:		
Purchase of equipment		<u>0.00</u>
	Total expenditures	<u>0.00</u>
Excess (deficiency) of revenues over (under) expenditures		0.00
Other financing sources (uses):		
Operating transfers in - budget appropriation		<u>25,020.00</u>
	Total other financing sources (uses)	<u>25,020.00</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)		25,020.00
Fund balance - January 1		<u>136,655.05</u>
Fund balance - December 31		<u>\$ 161,675.05</u>

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Capital Projects Fund
Summary Statement of Project Expenditures
As of December 31, 2020

Project Title	Authorization Date	Amount of Authorization	Balance December 31, 2019	Transfer From Operating Budget Appropriations	Balance December 31, 2020
Acquisition of personal protective equipment	2/16/13	\$ 100,000.00	\$ 16.05	\$ 0.00	\$ 16.05
Major acquisitions			<u>136,639.00</u>	<u>25,020.00</u>	<u>161,659.00</u>
			<u>\$ 136,655.05</u>	<u>\$ 25,020.00</u>	<u>\$ 161,675.05</u>

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
General Long-Term Debt Account Group
Schedule of Obligations Under Leases
December 31, 2020

Description	Date of Lease	Term of Lease	Interest Rate Payable	Amount of Original Issue	Amount Outstanding December 31, 2019 (a)	Issued Current Year	Retired Current Year	Amount Outstanding December 31, 2020 (a)
Capital leases:								
Acquisition of tanker and personal protective equipment	6/1/13	7 Years	3.21%	\$ 296,504.92	\$ 46,320.39	0.00	\$ 46,320.39	\$ 0.00
Acquisition of heavy rescue truck	5/31/16	8 Years	2.35%	833,317.00	458,910.27	0.00	87,556.64	371,353.63
Acquisition of command vehicle	7/1/18	7 Years	4.69%	71,874.00	62,069.37	0.00	9,129.26	52,940.11
				\$ 567,300.03	\$ 567,300.03	\$ 0.00	\$ 143,006.29	\$ 424,293.74

(a) Future interest payments are removed from outstanding balances at December 31, 2019 and 2020.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Budget Favorable (Unfavorable)
REVENUES:					
Amount to be raised by taxation to support the district budget	\$ 158,401.00	\$ 0.00	\$ 158,401.00	\$ 158,401.00	\$ 0.00
Total revenues	158,401.00	0.00	158,401.00	158,401.00	0.00
EXPENDITURES:					
Principal payments:					
Capital leases	143,006.00	(0.68)	143,005.32	143,006.29	(0.97)
Interest payments:					
Capital leases	15,395.00	0.68	15,395.68	15,395.23	0.45
Total expenditures	158,401.00	0.00	158,401.00	158,401.52	(0.52)
Excess (deficiency) of revenues over (under) expenditures	0.00	0.00	0.00	(0.52)	0.52
Fund balance - January 1	3.10	0.00	3.10	3.10	0.00
Fund balance - December 31	\$ 3.10	\$ 0.00	\$ 3.10	\$ 2.58	\$ 0.52

Schedule of Findings and Recommendations

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 4
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2020**

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. 4
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT
For the Year Ended December 31, 2020**

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

None.

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
Woodbury, New Jersey

November 11, 2021