

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
FRANKLINVILLE, NEW JERSEY**

REPORT OF AUDIT

For the Year Ended December 31, 2014

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Introductory Section

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
OFFICIALS IN OFFICE AND SURETY BONDS
December 31, 2014**

Amount Of
Surety Bond

Board of Commissioners

Joseph C. Petsch, Jr. - Chairman
Edward Stanton, Sr. - Vice Chairman
James Rohrer - Treasurer
Brian Zummer - Clerk/Secretary
Nick Collins - Commissioner

\$ 150,000.00

Other Officials

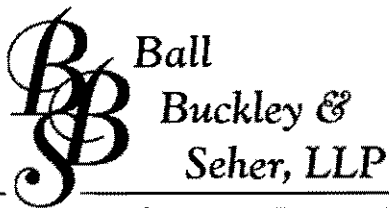
Joseph Hoffman, Esquire - Solicitor
David P. Deegan, III - Fire Chief

Surety Company

American Alternative Insurance Company

The Fire District is also covered by a blanket bond in the amount of \$100,000.00.

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. 5
Franklinville, 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. 5, County of Gloucester, State of New Jersey, as of and for the year ended December 31, 2014, 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, 2014, 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 Reporting Required by Government Auditing Standards

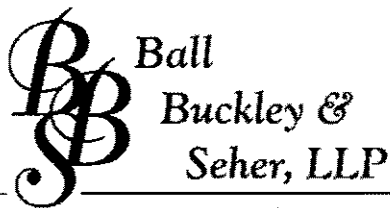
In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2015 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP

September 2, 2015



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. 5
Franklinville, New Jersey

We have audited the financial statements of the Franklin Township Fire District No. 5, County of Gloucester, State of New Jersey, as of and for the year ended December 31, 2014, and have issued our report thereon dated September 2, 2015. 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 in compliance with audit requirements prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

The Fire District is responsible for establishing and maintaining effective internal controls over financial reporting.

In planning and performing our audit, we considered the Fire's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fire District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fire's financial statements that is more than inconsequential will not be prevented or detected by the Fire District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fire District's internal control.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Franklin Township Fire District No. 5's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 2014-1, 2011-1, and 2011-2.

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, State of New Jersey.

This report is intended for the information of the Franklin Township Fire District No. 5, its management, and appropriate state agencies and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP

September 2, 2015

Required Supplementary Information - Part I

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR DECEMBER 31, 2014
(UNAUDITED)**

As management of the Franklin Township Fire District No. 5 (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, 2014. 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 \$582,656.08 (net assets).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$77,860.05, a decrease of \$3,920.71 in comparison with the prior year. The decrease in fund balance was the net result of an overexpenditure of budget appropriations of (\$6,159.09) and the use of unreserved fund balance of (\$6,200.00) in the 2014 budget. These decreases were offset by revenues not anticipated in the 2014 budget of \$205.38 and the amount appropriated in the 2014 budget for future capital outlays of \$8,233.00.
- At the end of the current year, the fund balance for the general fund was \$61,393.16, a decrease of \$12,153.62 or (16.53%) under the prior year. It was comprised of \$6,200.00 reserved for subsequent year's expenditures, \$61,352.16 of unreserved fund balance, and an overexpenditure of appropriations of (\$6,159.00).
- At the end of the current year, the fund balance for the capital projects fund was \$16,466.00, an increase of \$8,233.00 or (100.00%) over the prior year. The entire fund balance is reserved for future capital outlays. The increase is the result of the 2014 budget appropriation of \$8,233.00 into the reserve fund.
- At the end of the current year, the fund balance for the debt service fund was \$0.89, a decrease of \$0.09 or (9.19%) under the prior year. The fund balance is comprised of (\$0.98) of unreserved fund balance offset by an overexpenditure of appropriations of (\$0.09).
- The total debt of the Fire District decreased by \$70,272.02 as the net result of a budgeted debt payment.

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 assets* presents information on all of the assets and liabilities of the Fire District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets of the Fire District changed during the most recent year. All changes in net assets 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 services that are 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, capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the statement of net assets 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 assets 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 \$582,656.08 at the close of the most recent year.

The largest portion of the Fire District's net assets 89.07% 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 other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets

	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 105,208.43	\$ 104,605.54
Capital assets	<u>1,058,738.53</u>	<u>1,117,751.85</u>
Total assets	<u>1,163,946.96</u>	<u>1,222,357.39</u>
Liabilities:		
Long-term liabilities outstanding	467,415.90	539,763.92
Other liabilities	<u>113,874.98</u>	<u>109,277.93</u>
Total liabilities	<u>581,290.88</u>	<u>649,041.85</u>
Net assets	<u>\$ 582,656.08</u>	<u>\$ 573,315.54</u>

	<u>2014</u>	<u>2013</u>
Analysis of net assets:		
Reserve for capital assets, net of related debt	\$ 518,974.61	\$ 507,716.11
Deferred charges:		
Overexpenditure of appropriations	(6,159.09)	-
Capital projects	16,466.00	8,233.00
Subsequent year's expenditures	6,200.00	6,200.00
Unreserved fund balance	<u>47,174.56</u>	<u>51,166.43</u>
Total net assets	<u>\$ 582,656.08</u>	<u>\$ 573,315.54</u>

\$6,200.00 of the unreserved fund balance has been dedicated for expenditures in the 2015 budget.

In total, assets of governmental activities increased by \$9,340.54 primarily due to current year's changes in fixed assets and the results operations offset by the decrease in long-term debt. For the year 2014, capital assets are now reported net of accumulated depreciation that as of December 31, 2014 was \$1,058,738.53.

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 decrease in governmental activities are as follows:

	<u>2014</u>	<u>2013</u>
Expenses:		
Operating expenses:		
Administration	\$ 7,505.00	\$ 7,115.99
Cost of operations and maintenance	101,580.14	85,618.62
Contribution to length of service award program	12,650.00	17,250.00
Interest on long-term debt	14,948.52	17,040.97
Unallocated depreciation	<u>84,134.76</u>	<u>79,239.71</u>
Total program expenses	220,818.42	206,265.29
Revenues:		
Operating grants and contributions	<u>1,193.58</u>	<u>1,193.58</u>
Net program expenses	<u>219,624.84</u>	<u>205,071.71</u>
General revenues:		
Taxes:		
Property taxes, levied for general purposes	141,383.00	136,083.00
Property taxes, levied for special revenue fund	154.00	154.00
Property taxes, levied for debt service	87,223.00	87,224.00
Prior year refund	-	100.00
Prior year voided checks	-	2,850.92
Unrestricted interest earned	<u>205.38</u>	<u>266.70</u>
Total general revenues	<u>228,965.38</u>	<u>226,678.62</u>
Increase in net assets	9,340.54	21,606.91
Net assets - January 1	<u>573,315.54</u>	<u>551,708.63</u>
Net assets - December 31	<u>\$ 582,656.08</u>	<u>\$ 573,315.54</u>

Property taxes constituted 99.39% of revenues for governmental activities for the Fire District for the year 2014.

Cost of operations and maintenance comprises 46.00% of the Fire District's expenses, with administration comprising 3.40%.

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 \$77,860.05, a decrease of \$3,920.71 in comparison with the prior year.

Of the combined ending fund balances of \$77,860.05, unreserved fund balance constituted \$67,553.14. Of the unreserved fund balance, \$6,200.00 has been utilized in the 2015 budget for the Fire District. The remaining fund balance of \$16,466.00 is reserved for capital outlay, however it restricted by an overexpenditure of appropriations of \$6,159.09.

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 \$67,552.16, while the total fund balance was \$61,393.16 due to the overexpenditure of appropriations in the 2014 budget of \$6,159.00.

The fund balance of the Fire District's general fund decreased by \$12,153.62 during the current year. Key factors are as follows:

- The amount realized for miscellaneous revenues was \$205.38 more than the amount anticipated in the 2014 budget. This represents the amount realized for interest on investments.
- The amount expended under the administrative budget category was \$145.00 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 \$9,754.00 more than budget appropriations. Variations in budget appropriation amounts are detailed on Exhibit C-1.

During the year under audit, the Fire District's capital projects fund showed a net increase of \$8,233.00. This resulted from the transfer of \$8,233.00 from the operating fund budget.

General Fund Budgetary Highlights

During the course of the year 2014, the Fire District did not modified its general fund budget in conformance with statute.

There were no items of variance from the original budget to the final budget.

The final budgetary basis revenue estimate was \$141,383.00. The original budgetary estimate was the same.

During the year 2014, the Fire District budgeted revenues as follows:

- Property taxes (local tax levy) was \$141,383.00.

Special Revenue Budgetary Highlights

- State aid from supplemental fire safety grant was \$1,193.58.

The final budgetary basis expenditures appropriation estimate was \$147,583.00. The original budgeted appropriations were the same as the final appropriations.

The final budgetary basis expenditures appropriation estimate exceeded the final budgetary basis revenues by \$6,200.00. This is attributable to the use of spendable fund balance from December 31, 2013 of \$6,200.00 to fund the legally adopted budget for 2014.

Capital Assets and Debt Administration

Capital Assets. The Fire District’s investment in capital assets for its governmental activities as of December 31, 2014 amounts to \$1,058,738.53 (net of accumulated depreciation). This investment in capital assets includes vehicles and firefighting equipment. Capital assets in the amount of \$25,121.44 were acquired in the year 2014 through the proceeds of a capital lease.

At the end of 2014, the Fire District had \$2,109,216.05 invested in vehicles and firefighting equipment. The accumulated depreciation on these items was \$1,050,477.52.

**Capital Assets
At December 31, 2014 and 2013**

	2014	2013
Vehicles	\$ 991,291.77	\$ 1,066,482.67
Firefighting equipment	67,446.76	51,269.17
Total capital assets	<u>\$ 1,058,738.53</u>	<u>\$ 1,117,751.84</u>

Additional information on the Fire District’s capital assets can be found in Note 5 in the notes to the financial statements.

Long-Term Obligations. The Fire District has no outstanding serial bonds at December 31, 2014.

As of December 31, 2014, the Fire District has an obligation under a capital lease agreement in the amount of \$29,117.34; this represents the principal on the cost of the acquisition of miscellaneous fire equipment. The principal, along with applicable interest, will be paid in a five installments of \$15,456.93 between the years 2012 and 2016.

As of December 31, 2014, the Fire District has an obligation under a capital lease agreement in the amount of \$510,646.58; this represents the principal on the cost of the acquisition of aerial fire apparatus. The principal, along with applicable interest, will be paid in ten installments of \$71,766.16 between the years 2013 and 2022.

As of December 31, 2014, the Fire District had no obligations under operating leases.

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

Economic Factors and Next Year’s Budget

For the year 2014, the Fire District was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99.39% of total revenue is from the local tax levy, while the remaining 0.61% is from other sources.

The Board of Fire Commissioners adopted the 2015 budget on February 15, 2015 and the voters subsequently approved the budget at the annual Fire District election held on February 21, 2015.

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 Brian Zummer, Secretary, Franklin Township Fire District No. 5, Post Office Box 306, Franklinville, New Jersey.

Basic Financial Statements

District-Wide Financial Statements

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Statement of Net Assets
December 31, 2014

ASSETS:

Cash and cash equivalents	\$	88,741.54
Restricted assets		
Cash and cash equivalents		16,466.89
Capital assets, net		<u>1,058,738.53</u>
Total assets		<u><u>1,163,946.96</u></u>

LIABILITIES:

Accounts payable		27,348.38
Accrued interest payable		14,178.58
Noncurrent liabilities:		
Due within one year		72,348.02
Due beyond one year		<u>467,415.90</u>
Total liabilities		<u><u>581,290.88</u></u>

NET ASSETS:

Invested in capital assets, net of related debt		518,974.61
Reserve for:		
Overpayment of appropriations		(6,159.09)
Subsequent year's expenditures		6,200.00
Capital projects		16,466.00
Unrestricted		<u>47,174.56</u>
Total net assets	\$	<u><u>582,656.08</u></u>

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

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Statement of Activities
For the Year Ended December 31, 2014

PROGRAM EXPENSES:

Operating appropriations:

Administration	\$ 7,505.00
Cost of operations and maintenance	101,580.14
Length of service awards program (L.O.S.A.P.)	12,650.00
Interest on long-term debt	14,948.52
Unallocated depreciation	84,134.76
Total program expenses	<u>220,818.42</u>

PROGRAM REVENUES:

Operating grants and contributions

Total program revenues	<u>1,193.58</u>
Total program revenues	<u>1,193.58</u>
Net program expenses	<u>219,624.84</u>

GENERAL REVENUES:

Taxes:

Property taxes, levied for general purposes	141,383.00
Special revenue fund	154.00
Taxes, levied for debt service	87,223.00
Interest on investments	205.38
Total general revenues	<u>228,965.38</u>

Increase (decrease) in net assets	9,340.54
Net assets - January 1	<u>573,315.54</u>
Net assets - December 31	<u><u>\$ 582,656.08</u></u>

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

Fund Financial Statements

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 102,707.54	\$ 0.00	\$ 2,500.00	\$ 0.89	\$ 105,208.43
Due from general fund	0.00	0.00	13,966.00	0.00	13,966.00
Total assets	\$ 102,707.54	\$ 0.00	\$ 16,466.00	\$ 0.89	\$ 119,174.43
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 27,348.38	\$ 0.00	\$ 0.00	\$ 0.00	\$ 27,348.38
Due to capital projects fund	1.00	0.00	0.00	0.00	1.00
Total liabilities	27,349.38	0.00	0.00	0.00	27,349.38
Fund balances:					
Reserved:					
Future capital outlays	0.00	0.00	16,466.00	0.00	16,466.00
Overexpenditure of appropriations	(6,159.00)	0.00	0.00	(0.09)	(6,159.09)
Subsequent year's expenditures	6,200.00	0.00	0.00	0.00	6,200.00
Unreserved:					
Undesignated, reported in:					
General fund	61,352.16	0.00	0.00	0.98	61,353.14
Total fund balances	61,393.16	0.00	16,466.00	0.89	77,860.05
Total liabilities and fund balances	\$ 88,742.54	\$ 0.00	\$ 16,466.00	\$ 0.89	

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

Interest on long-term debt in the statement of activities is accrued regardless of when due (14,178.58)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,109,216.05 and the accumulated depreciation is \$1,050,477.52 1,058,738.53

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 (539,763.92)

\$ 582,656.08

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Operating grant revenue	\$ 0.00	\$ 1,193.58	\$ 0.00	\$ 0.00	\$ 1,193.58
Amount to be raised by taxation to support the district budget	141,383.00	154.00	0.00	87,223.00	228,760.00
Non-budgetary revenues	205.38	0.00	0.00	0.00	205.38
Total revenues	<u>141,588.38</u>	<u>1,347.58</u>	<u>0.00</u>	<u>87,223.00</u>	<u>230,158.96</u>
EXPENDITURES:					
Operating appropriations:					
Administration	7,505.00	0.00	0.00	0.00	7,505.00
Cost of operations and maintenance	125,354.00	1,347.58	0.00	0.00	126,701.58
Contribution to length of service awards program (L.O.S.A.P.)	12,650.00	0.00	0.00	0.00	12,650.00
Debt service:					
Principal	0.00	0.00	0.00	70,272.02	70,272.02
Interest and other charges	0.00	0.00	0.00	16,951.07	16,951.07
Total expenditures	<u>145,509.00</u>	<u>1,347.58</u>	<u>0.00</u>	<u>87,223.09</u>	<u>234,079.67</u>
Excess (deficiency) of revenues over (under) expenditures	(3,920.62)	0.00	0.00	(0.09)	(3,920.71)
OTHER FINANCIAL SOURCES (USES) :					
Operating transfers out - capital	(8,233.00)	0.00	8,233.00	0.00	0.00
Total other financial sources (uses)	<u>(8,233.00)</u>	<u>0.00</u>	<u>8,233.00</u>	<u>0.00</u>	<u>0.00</u>
Net change in fund balance	(12,153.62)	0.00	8,233.00	(0.09)	(3,920.71)
Fund balance - January 1	73,546.78	0.00	8,233.00	0.98	81,780.76
Fund balance - December 31	<u>\$ 61,393.16</u>	<u>\$ 0.00</u>	<u>\$ 16,466.00</u>	<u>\$ 0.89</u>	<u>\$ 77,860.05</u>

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
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, 2014

Total net change in fund balances - governmental funds (from B-2)	\$	(3,920.71)
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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	\$	(84,134.76)	
Capital outlay		25,121.44	
			(59,013.32)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	70,272.02
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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.	2,002.55
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Change in net assets of governmental activities	\$	9,340.54
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Notes To The Financial Statements

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

Franklin Township Fire District No. 5 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 each 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. 5 has 1 fire company within its jurisdiction - the Star Cross Fire Company.

Component Units

The Governmental Accounting Standards (GASB) Statement No. 14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. As of December 31, 2014, 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

District-Wide Financial Statements - The statement of net assets 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 assets 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.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Concluded)

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 general operating fund of the Fire District and is used to account for its inflows and outflows of its financial resources. 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 the proceeds of specific revenue sources, such as state or federal government grants and appropriations, that are legally restricted to expenditures for specified purposes.

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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 assets.

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.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deferred 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.

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.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Concluded)

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may be amended subsequent to its final adoption and approval for revenues and offsetting appropriations not available at the time the budget was adopted.

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. 5 does not currently operate a full encumbrance accounting system.

Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred 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. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments (Concluded)

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, 2014, 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, 2014. The Fire District has no prepaid expenses.

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 Assets.

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 assets 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.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Concluded)

Assets of the Fire District, acquired prior to 2004, were recorded on the books at estimated cost. Beyond 2004, assets are recorded at cost.

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

- Buildings and improvements - 40 years
- Vehicles - 20 years/10 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 or two percent of the assessed valuation of property, whichever is larger.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets 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 assets are available.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

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, 2014 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, 2014 are categorized as follows: F.D.I.C. insured (category 1) and all others (category 3):

Category	Amount
Cash:	
F.D.I.C. insured	\$ 104,599.25
G.U.D.P.A. insured	-
	\$ 104,599.25

The carrying value of cash and cash equivalents on deposits is \$105,208.43.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

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:

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2014	\$ 177,689,700.00	\$ 228,760.00	\$.129
2013*	177,350,000.00	223,461.00	.126
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

*Revaluation of properties completed in 2013.

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, 2014 was as follows:

	<u>Balance January 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2014</u>
Vehicles	\$ 1,653,735.50	\$ -	\$ -	\$ 1,653,735.50
Firefighting equipment and fixtures	<u>430,359.11</u>	<u>25,121.44</u>	<u>-.</u>	<u>455,480.55</u>
Total capital assets being depreciated	2,084,094.61	25,121.44	-	2,109,216.05
Depreciation	<u>966,342.76</u>	<u>84,134.76</u>	<u>-.</u>	<u>1,050,477.52</u>
Net assets	<u>\$ 1,117,751.85</u>	<u>\$ (59,013.32)</u>	<u>\$ -.</u>	<u>\$ 1,058,738.53</u>

Depreciation expense was charged to governmental funds as unallocated depreciation in the amount of \$84,134.76.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 6 - LONG-TERM OBLIGATIONS

During the year ended December 31, 2014, the following changes occurred in long-term obligations:

	Principal Outstanding January 1, 2014	Increases	Decreases	Principal Outstanding December 31, 2014
Obligations under lease	\$ 610,035.94	\$ -	\$ 70,272.02	\$ 539,763.92

General Obligation Bonds

The Fire District had no general obligation bonds at December 31, 2014.

Bonds Authorized and Issued or Unissued

The Fire District had no outstanding bond anticipation notes at December 31, 2014.

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
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
	<u>30,913.86</u>	<u>574,129.28</u>	<u>605,043.14</u>
Less: amount representing interest	<u>1,796.52</u>	<u>63,482.70</u>	<u>65,279.22</u>
Present value of minimum lease payments	<u>\$ 29,117.34</u>	<u>\$ 510,646.58</u>	<u>\$ 539,763.92</u>

Operating Leases Payable

At December 31, 2014, 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, 2014

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, 2014, the total value of the Fire District's plan was \$159,100.80. The contribution, as determined in 2015, for the year 2014 will be \$12,650.00; this contribution will be made during the year 2015.

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of the following:

Due To	Due From	
	General Fund	Total Due From
Capital projects fund	\$ 13,966.00	\$ 13,966.00

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 appropriable 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 2013. As of December 31, 2014, the balance was \$16,466.00. These funds are reserved for future capital projects.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 10 - FUND BALANCES (Concluded)

Unreserved

The following is the status of the unreserved fund balance at December 31, 2014:

	Balance December 31, 2014	Designated For Subsequent Year's Expenditures
General fund	\$ 67,552.16	\$ 6,200.00
Debt service fund	\$ 0.98	\$ -

NOTE 11 - LITIGATION

The Fire District is not a defendant in any legal proceedings at December 31, 2014.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 2, 2015, which is the date that the financial statements were available to be issued.

Required Supplementary Information - Part II

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
REVENUES:					
Miscellaneous revenues not anticipated:					
Interest on investments and deposits	\$ 0.00	\$ 0.00	\$ 0.00	\$ 205.38	\$ 205.38
Total miscellaneous revenues not anticipated	0.00	0.00	0.00	205.38	205.38
Amount to be raised by taxation to support the district budget	141,383.00	0.00	141,383.00	141,383.00	0.00
Total anticipated revenues	141,383.00	0.00	141,383.00	141,588.38	205.38
EXPENDITURES:					
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	1,745.00	(245.00)
Office expenses	1,000.00	0.00	1,000.00	0.00	1,000.00
Professional services	4,850.00	0.00	4,850.00	5,550.00	(700.00)
Total administration	7,650.00	0.00	7,650.00	7,505.00	145.00
Cost of operations and maintenance:					
Other expenses:					
Advertising	700.00	0.00	700.00	193.50	506.50
Maintenance and repairs	17,000.00	0.00	17,000.00	26,038.79	(9,038.79)
Insurance	23,500.00	0.00	23,500.00	23,187.82	312.18
Supplies expense	9,100.00	0.00	9,100.00	5,524.42	3,575.58

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2014

	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	\$ 3,000.00	\$ 1,000.00
Rental charges	38,800.00	0.00	38,800.00	38,800.00	0.00
Purchase of assets not considered capital:					
Fire fighting equipment	18,000.00	0.00	18,000.00	25,772.47	(7,772.47)
Communication equipment	4,500.00	0.00	4,500.00	2,837.00	1,663.00
Total cost of operations and maintenance	<u>115,600.00</u>	<u>0.00</u>	<u>115,600.00</u>	<u>125,354.00</u>	<u>(9,754.00)</u>
Contribution to length of service award program (L.O.S.A.P.)	<u>16,100.00</u>	<u>0.00</u>	<u>16,100.00</u>	<u>12,650.00</u>	<u>3,450.00</u>
Total appropriations	<u>139,350.00</u>	<u>0.00</u>	<u>139,350.00</u>	<u>145,509.00</u>	<u>(6,159.00)</u>
Excess or (deficit) of revenues over (under) expenditures	2,033.00	0.00	2,033.00	(3,920.62)	(5,953.62)
Other financial sources and uses of funds:					
Operating transfers out - capital	<u>(8,233.00)</u>	<u>0.00</u>	<u>(8,233.00)</u>	<u>(8,233.00)</u>	<u>0.00</u>
Total other financial sources and uses of funds	<u>(8,233.00)</u>	<u>0.00</u>	<u>(8,233.00)</u>	<u>(8,233.00)</u>	<u>0.00</u>

**EXHIBIT C-1
(Concluded)**

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2014**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual Favorable (Unfavorable)</u>
Excess or (deficit) of revenues over (under) expenditures	\$ (6,200.00)	\$ 0.00	\$ (6,200.00)	\$ (12,153.62)	\$ (5,953.62)
Fund balances - January 1	<u>73,546.78</u>	<u>0.00</u>	<u>73,546.78</u>	<u>73,546.78</u>	<u>0.00</u>
Fund balances - December 31	<u>\$ 67,346.78</u>	<u>\$ 0.00</u>	<u>\$ 67,346.78</u>	<u>\$ 61,393.16</u>	<u>\$ (5,953.62)</u>
-29- Recapitulation of excess (deficiency) of revenues over (under) expenditures:					
Fund balance appropriated	<u>\$ (6,200.00)</u>	<u>\$ 0.00</u>	<u>\$ (6,200.00)</u>	<u>\$ (12,153.62)</u>	<u>\$ (5,953.62)</u>
	<u>\$ (6,200.00)</u>	<u>\$ 0.00</u>	<u>\$ (6,200.00)</u>	<u>\$ (12,153.62)</u>	<u>\$ (5,953.62)</u>

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended December 31, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Budget Favorable (Unfavorable)
REVENUES:					
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	<u>154.00</u>	<u>0.00</u>	<u>154.00</u>	<u>154.00</u>	<u>0.00</u>
Total revenues	<u>1,698.00</u>	<u>0.00</u>	<u>1,698.00</u>	<u>1,347.58</u>	<u>(350.42)</u>
EXPENDITURES:					
Supplemental fire service grant: Assistance to firefighters grant	<u>1,698.00</u>	<u>0.00</u>	<u>1,698.00</u>	<u>1,347.58</u>	<u>350.42</u>
Total expenditures	<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	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Fund balance - December 31	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>

Notes To The Required Supplementary Information

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Required Supplementary Information
Budgetary Comparison Schedule
Note To RSI
For the Year Ended December 31, 2014

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	\$ 141,588.38	\$ 1,347.58
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)	\$ 141,588.38	\$ 1,347.58
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 145,509.00	\$ 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	0.00	0.00
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 145,509.00	\$ 1,347.58

Other Supplementary Information

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2014

REVENUES:

Investment earnings		\$	0.00
	Total revenues		<u>0.00</u>

EXPENDITURES:

Capital lease			0.00
	Total expenditures		<u>0.00</u>

Excess (deficiency) of revenues over (under) expenditures 0.00

Other financing sources (uses):

Operating transfers in - budget appropriation			8,233.00
	Total other financing sources (uses)		<u>8,233.00</u>

Excess (deficiency) of revenues and other financing sources (uses)
over (under) expenditures and other financing sources (uses) 8,233.00

Fund balance - January 1 8,233.00

Fund balance - December 31 \$ 16,466.00

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Capital Projects Fund
Summary Statement of Project Expenditures
As of December 31, 2014

<u>Project Title</u>	<u>Authorization Date</u>	<u>Amount of Authorization</u>	<u>Balance December 31, 2013</u>	<u>Revenues Transfer From Operating Budget Appropriations</u>	<u>Cash Disbursements</u>	<u>Balance December 31, 2014</u>
Reserve for future capital outlays			\$ 8,233.00	8,233.00	\$ 0.00	\$ 16,466.00
			<u>\$ 8,233.00</u>	<u>\$ 8,233.00</u>	<u>\$ 0.00</u>	<u>\$ 16,466.00</u>

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
General Long-Term Debt Account Group
Schedule of Obligations Under Capital Leases
December 31, 2014

Description	Date of Lease	Term of Lease	Interest Rate Payable	Amount of Original Issue	Amount Outstanding December 31, 2013 (a)	Issued Current Year	Retired Current Year	Amount Outstanding December 31, 2014(a)
Miscellaneous firefighting equipment	6/30/11	5 Years	4.086%	\$ 69,880.00	\$ 42,824.46	\$ 0.00	\$ 13,707.12	\$ 29,117.34
Pierce 75' aerial ladder with 1500 GPM pump	6/27/12	10 Years	2.680%	622,300.00	<u>567,211.48</u>	<u>0.00</u>	<u>56,564.90</u>	<u>510,646.58</u>
					<u>\$ 610,035.94</u>	<u>\$ 0.00</u>	<u>\$ 70,272.02</u>	<u>\$ 539,763.92</u>

(a) Future interest payments are removed from outstanding balances at December 31, 2013 and 2014.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Budgetary Comparison Schedule
Debt Service Fund
December 31, 2014

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Budget Favorable (Unfavorable)</u>
REVENUES:					
Amount to be raised by taxation to support the district budget	\$ 87,223.00	\$ 0.00	\$ 87,223.00	\$ 87,223.00	\$ 0.00
Total revenues	<u>87,223.00</u>	<u>0.00</u>	<u>87,223.00</u>	<u>87,223.00</u>	<u>0.00</u>
EXPENDITURES:					
Principal payments:					
Capital leases	70,272.00	0.00	70,272.00	70,272.02	(0.02)
Interest payments:					
Capital leases	16,951.00	0.00	16,951.00	16,951.07	(0.07)
Total expenditures	<u>87,223.00</u>	<u>0.00</u>	<u>87,223.00</u>	<u>87,223.09</u>	<u>(0.09)</u>
Excess (deficiency) of revenues over (under) expenditures	0.00	0.00	0.00	(0.09)	(0.09)
Fund balance - January 1	<u>0.98</u>	<u>0.00</u>	<u>0.98</u>	<u>0.98</u>	<u>0.00</u>
Fund balance - December 31	<u>\$ 0.98</u>	<u>\$ 0.00</u>	<u>\$ 0.98</u>	<u>\$ 0.89</u>	<u>\$ (0.09)</u>

Schedule of Findings and Recommendations

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2014**

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

Finding No. 2014-1

Criteria or Specific Requirement

Statutes require that the Fire District not expend funds in excess of the total amount budgeted for the year.

Condition

Total expenditures for the 2014 budget year were \$6,159.09 in excess of budget appropriations.

Effect

The Fire District has a restriction of its fund balance which must be raised in the succeeding year's budget. Since the 2015 budget has been adopted, it must be raised in the 2016 budget.

Cause

The Fire District did not maintain budget records which enabled the Treasurer and the Commissioners to determine the budget status.

Recommendation

The Fire District maintain budgetary records which permits the Treasurer and the Commissioners the ability to monitor budgetary spending.

View of Responsible Official and Corrective Action

The Fire District agrees with this find and will take corrective action in 2015 to monitor budget appropriation expenditures.

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, 2014

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 2015, 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 2015, 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

September 2, 2015