

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**

**Financial Statements and Supplementary Schedules**

**For the year ended December 31, 2016**

**(With Independent Auditor's Report thereon)**

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Financial Statements and Supplementary Schedules**  
**For the year ended December 31, 2016**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Franklin Township Fire District No. 5  
County of Gloucester  
Township of Franklin, New Jersey 08322

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of 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 fiscal year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the 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. 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 standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, 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 from material misstatement.

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 judgment, 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 entity'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 entity'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, 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 Franklin Township Fire District No. 5, County of Gloucester, State of New Jersey, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 13 to the financial statements, during the year ended December 31, 2016, the District recorded a prior period adjustment to the fiduciary fund's Length of Service Award Program. As of December 31, 2015, the Length of Service Award Program fund was not presented in the financial statements. The District recorded a prior period adjustment on January 1, 2016 in order to accurately present the activity of this fund during the year ended December 31, 2016.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis and budgetary comparison information, as listed on 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***

The long-term debt schedule of obligations under capital leases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 long-term debt schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018 on our consideration of the Franklin Township Fire District No. 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Franklin Township Fire District No. 5's internal control over financial reporting and compliance.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

January 11, 2018  
Toms River, New Jersey



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Fire Commissioners  
Franklin Township Fire District No. 5:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund, and the aggregate remaining fund information of Franklin Township Fire District No. 5, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Franklin Township Fire District No. 5’s basic financial statements, and have issued our report thereon dated January 11, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Franklin Township Fire District No. 5'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 Franklin Township Fire District No. 5’s internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Township Fire District No. 5’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying comments and recommendation section as finding no.’s 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Franklin Township Fire District No. 5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as finding no.'s 2016-001, 2016-003, 2016-005 and 2016-006.

## **Purpose of this Report**

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

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

January 11, 2018  
Toms River, New Jersey

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

As management of Franklin Township Fire District No. 5, we offer readers of the Franklin Township Fire District No. 5 financial statements this narrative overview and analysis of the financial activities of the Franklin Township Fire District No. 5 for the year ended December 31, 2016. The intent of this narrative is to look at Franklin Township Fire District No. 5's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the opinions beginning on page 1 and the District's financial statements which begin on page 15. Notes to the financial statements will provide the reader with additional useful information and they begin on page 22.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at December 31, 2016 by approximately \$586,000. In 2015 the excess was approximately \$575,000. This is an increase of approximately \$11,000.
- During 2016, the District operated at a surplus of approximately \$11,000. The District had a deficit of approximately \$7,800 in 2015. This is an increase of approximately \$18,800.
- The Board's cash increased by approximately \$16,700.
- The District's liabilities decreased by approximately \$77,100 in 2016.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. Franklin Township Fire District No. 5's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

**Reporting on the District as a Whole**

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

The Statement of Net Position presents information on all the assets and liabilities of Franklin Township Fire District No. 5. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District.



The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Franklin Township Fire District No. 5 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Franklin Township Fire District No. 5 provides firefighting services to the citizens of Franklin Township.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Franklin Township Fire District No. 5 uses fund accounting to document compliance with finance-related legal matters. Franklin Township Fire District No. 5 has two types of fund groups, governmental funds and fiduciary funds.

### **Governmental Funds**

Franklin Township Fire District No. 5's activities are reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Franklin Township Fire District No. 5 maintains three separate governmental funds, the general fund, the capital fund and the debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the capital fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by N.J.S.A. 40A:14:78-3, Franklin Township Fire District No. 5 adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

## Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District.

There is one fiduciary fund in the District. The fiduciary fund is the Length of Service Award Program (LOSAP). LOSAP is an annuity program for the volunteer firefighters. The fund is used to hold the monies in reserve until the actuary determines the amount to be invested for the each volunteer (see Note 8).

## Notes to Financial Statements

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

## DISTRICT-WIDE FINANCIAL ANALYSIS

Franklin Township Fire District No. 5's net position is a useful indicator of the District's financial condition. At the end of 2016 the District's assets exceeded the liabilities by approximately \$586,000. The largest portion of Franklin Township Fire District No. 5's assets (88.7%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Franklin Township Fire District No. 5's investment in capital assets is reported net of any related debt. The Board had debt of approximately \$393,000 as of December 31, 2016.

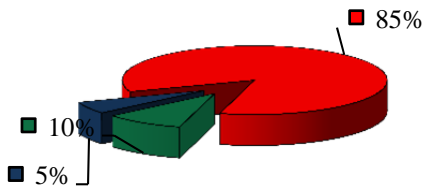
## Statement of Net Position

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
NET POSITION  
DECEMBER 31, 2016

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 113,391	\$ 95,234	18,157	19.1%
Capital Assets	<u>889,101</u>	<u>973,443</u>	(84,342)	(8.7%)
Total Assets	1,002,492	1,068,677	(66,185)	(6.2%)
Other Liabilities	<u>(416,711)</u>	<u>(493,813)</u>	(77,102)	(15.6%)
Net Position	<u>\$ 585,781</u>	<u>\$ 574,864</u>	10,917	1.9%

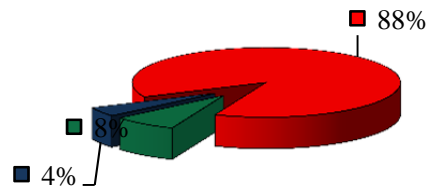
	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
<b>Analysis of Net Position</b>				
Invested in Capital Assets				
Net of Related Debt	\$ 496,172	\$ 506,027	(9,855)	(1.9%)
Restricted for Capital Projects	32,932	24,699	8,233	33.3%
Unrestricted	<u>56,677</u>	<u>44,140</u>	12,537	28.4%
 Total Net Position	 <u>\$ 585,781</u>	 <u>\$ 574,864</u>	 10,917	 1.9%

**2016 Net Position**



- Capital Projects
- Invested in Capital Assets
- Unrestricted

**2015 Net Position**



- Capital Projects
- Invested in Capital Assets
- Unrestricted

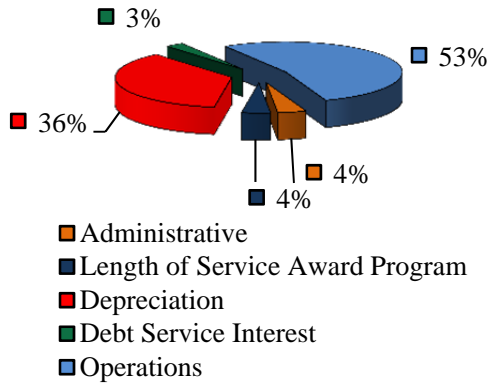
The net position of Franklin Township Fire District No. 5 increased approximately \$10,900 during the 2016 period. This increase was due primarily to a decrease in interest expense and length of service awards program expense.

**Governmental Activities**

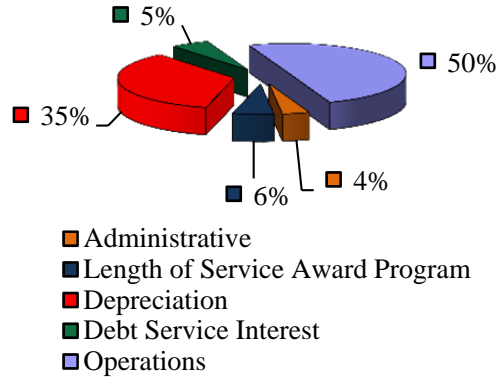
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
Program Expenses:				
Administrative Expenses	\$ 9,192	\$ 9,043	\$ 149	1.6%
Cost of Operations & Maintenance	123,205	121,470	1,735	1.4%
Length of service awards program	9,200	13,800	(4,600)	(33.3%)
Depreciation Expense	84,342	85,295	(953)	(1.1%)
Debt Service Interest	<u>5,847</u>	<u>12,850</u>	(7,003)	(54.5%)
Total Program Expenses	<u>231,786</u>	<u>242,458</u>	(10,672)	(4.4%)

### 2016 Program Expenses

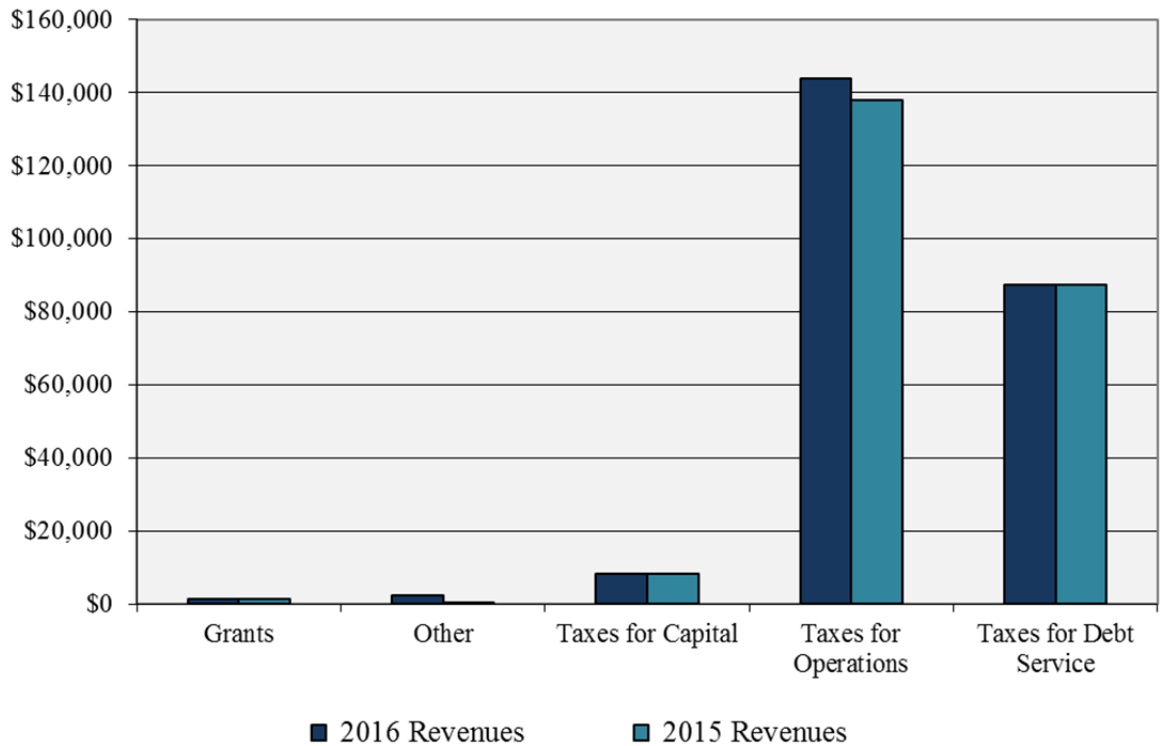


### 2015 Program Expenses



	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
Net Program Expenses	<u>231,786</u>	<u>242,458</u>	(10,672)	(4.4%)
General Revenues				
Property Taxes Levied for General Purposes	143,703	137,904	5,799	4.2%
Property Taxes Levied for Capital Purchases	8,233	8,233	-0-	-0-
Property Taxes Levied for Debt Service	87,223	87,223	-0-	-0-
Operating Grant Income	1,193	1,193	-0-	-0-
Other Income	<u>2,351</u>	<u>114</u>	2,237	1962.3%
Total General Revenues	<u>242,703</u>	<u>234,667</u>	8,036	3.4%
Increase (Decrease) in Net Position	10,917	(7,791)	18,708	240.1%
Net Position, January 1	<u>574,864</u>	<u>582,655</u>	(7,791)	(1.3%)
Net Position, December 31	<u>\$ 585,781</u>	<u>\$ 574,864</u>	+10,917	+1.9%

## Revenues



Property tax revenue constituted 98.5% of the total governmental activities revenues received by Franklin Township Fire District No. 5 in 2016. In 2015 the property tax revenue constituted 99.4% of total revenues.

The Cost of Operations & Maintenance was 53.2% and 50.1% of the District’s total expenses in 2016 and 2015, respectively. Administration expenses equaled 4.1% and 3.7% of the total expenses in 2016 and 2015, respectively.

### FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Franklin Township Fire District No. 5 uses fund accounting to document compliance with finance-related legal requirements.

#### Government Fund

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

As of December 31, 2016, the combined balance of the governmental cash funds of Franklin Township Fire District No. 5 was approximately \$112,000. This balance is approximately \$16,800 higher than last year’s combined governmental funds cash balance.

The funds realized a combined excess of revenues over expenditures for the year of approximately \$13,900.

The combined balance of the governmental funds of Franklin Township Fire District No. 5 was a surplus of approximately \$94,900. An amount of approximately \$55,700 is designated as unreserved fund balance. The Board has designated \$6,200 for utilization in the 2017 budget. Approximately \$32,900 is restricted for capital.

The general fund is the main operating fund of Franklin Township Fire District No. 5. At the end of 2016, the total fund balance of the general fund was approximately \$61,900

During 2016 the general fund balance of Franklin Township Fire District No. 5 increased by approximately \$5,700. The primary reasons for this increase are as follows:

- The Board's revenue increased approximately \$1,150.
- The Board's receivables increased by approximately \$1,491.
- The Board's liabilities increased by approximately \$13,507.
- The Board's expenditures decreased by approximately \$18,800.

At the end of 2016, the District had a capital projects fund balance of approximately \$32,900. This was an increase of approximately \$8,200 from the previous year. The major changes in this fund balance were:

- There was a budget appropriation of approximately \$8,200.

### **General Fund Budgetary Highlights**

The original 2016 Budget was balanced with the utilization of \$6,200 of General Fund surplus. The Board realized a budgetary surplus of approximately \$13,900 in 2016.

The District had total expenditures in excess of revenues of approximately \$5,102 in 2015, and in 2016 they realized a surplus of approximately \$13,900. In 2017 the Board expects to utilize \$6,200 of general fund surplus.

Administrative expenses were approximately \$200 more than projected in 2016. Operating expenses were approximately \$3,100 less than projected in 2016.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2016 Franklin Township Fire District No. 5 had invested in capital assets for government activities approximately \$889,100 (net of accumulated depreciation). Capital assets consist of vehicles and firefighting equipment and fixtures. They did not purchase any capital assets in 2016.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2016**

	2016	2015	Change
Vehicles	\$1,653,736	\$1,653,736	-0-
Firefighting equipment and fixtures	<u>455,480</u>	<u>455,480</u>	-0-
Total Capital Assets	2,109,216	2,109,216	-0-
Accumulated Depreciation	<u>(1,220,115)</u>	<u>(1,135,773)</u>	+84,342
Investment in Capital Assets – net	<u>\$ 889,101</u>	<u>\$ 973,443</u>	(84,342)

Additional information on Franklin Township Fire District No. 5's capital assets can be found in Note 6 in the notes to the financial statements.

### **Long-Term Obligations**

Franklin Township Fire District No. 5 did not enter into any new debt agreement during 2016. At December 31, 2016, the District had approximately 393,000 in capital leases payable.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2016, Franklin Township Fire District No. 5 was able to cover all its appropriations through the fire tax levy and other revenues.

Franklin Township Fire District No. 5 adopted their 2017 budget on January 2, 2017. The voters subsequently voted to approve the adopted budget at the February election. The 2017 budget reflects an increase in the tax levy of approximately \$3,000. The Board is utilizing \$6,200 of accumulated surplus to balance the budget.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Franklin Township Fire District No. 5's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Brian Zimmer, Secretary, Franklin Township Fire District No. 5, Post Office Box 306, Franklinville, New Jersey 08322, or go to the District's website at [www.starcrossfire.com](http://www.starcrossfire.com).



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Statement of Net Position**  
**December 31, 2016**

		<u>Governmental Activities</u>
		<u>2016</u>
Assets:		
Current assets:		
Cash	\$	111,900
Due from others		1,491
Total current assets		<u>113,391</u>
Fixed assets (net of depreciation)		<u>889,101</u>
Total assets	\$	<u><u>1,002,492</u></u>
Liabilities:		
Current liabilities:		
Accounts payable	\$	9,317
Accrued interest payable		5,265
Capital lease payable		61,236
Length of service award program payable		9,200
Total current liabilities		<u>85,018</u>
Noncurrent liabilities:		
Capital leases payable		<u>331,693</u>
Total noncurrent liabilities		<u>331,693</u>
Total liabilities		<u>416,711</u>
Net position:		
Net investment in capital assets		496,172
Restricted net position:		
Capital		32,932
Unrestricted net position		<u>56,677</u>
Total net position		<u>585,781</u>
Total liabilities and net position	\$	<u><u>1,002,492</u></u>

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Statement of Activities**  
**For the year ended December 31, 2016**

	<u>Expenses</u>	<u>Governmental Activities</u> <u>Total</u>
Government activities:		
Operation appropriations:		
Administration	\$ 9,192	\$ 9,192
Costs of operations and maintenance	123,205	123,205
Length of service awards program (L.O.S.A.P.)	9,200	9,200
Unallocated depreciation	84,342	84,342
Debt service interest	5,847	5,847
	231,786	231,786
Total government activities	231,786	231,786
General revenues:		
Miscellaneous revenue		2,351
Operating grant revenues		1,193
Amount raised by taxation		239,159
		242,703
Total general revenues		242,703
Changes in net position		10,917
Net position, January 1		574,864
Net position, December 31		\$ 585,781

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 111,900	\$ -	\$ -	\$ 111,900
Due from others	1,491	-	-	1,491
Other receivables	-	32,932	-	32,932
Total assets	\$ 113,391	\$ 32,932	\$ -	\$ 146,323
Liabilities, equity and other credits:				
Accounts payable	\$ 9,317	\$ -	\$ -	\$ 9,317
Other payables	42,132	-	-	42,132
Total liabilities	51,449	-	-	51,449
Fund balances:				
Restricted for:				
Capital	-	32,932	-	32,932
Assigned for:				
Subsequent year's expenditures	6,200	-	-	6,200
Unassigned, reported in:				
General fund	55,742	-	-	55,742
Total fund balance	61,942	32,932	-	94,874
Total liabilities and fund balance	\$ 113,391	\$ 32,932	\$ -	
Amounts reported for governmental activities in the statement of net assets (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 \$2,109,216 and the accumulated depreciation is \$1,220,115.				889,101
Long-term liabilities, including capital leases, are not due and payable in the current period and are therefore not reported as liabilities in the funds.				(392,929)
Accrued interest not recorded in current financial statements.				(5,265)
Net assets of governmental activities			\$	585,781

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 121	\$ -	\$ -	\$ 121
Other revenue	2,230	-	-	2,230
Total miscellaneous revenues	<u>2,351</u>	<u>-</u>	<u>-</u>	<u>2,351</u>
Operating grant revenues:				
Supplemental fire service grant	1,193	-	-	1,193
Total operating grant revenue	<u>1,193</u>	<u>-</u>	<u>-</u>	<u>1,193</u>
Total revenues	<u>3,544</u>	<u>-</u>	<u>-</u>	<u>3,544</u>
Amount raised by taxation to support district budget				
	143,703	8,233	87,223	239,159
Total anticipated revenues	<u>147,247</u>	<u>8,233</u>	<u>87,223</u>	<u>242,703</u>
Expenditures:				
Operating appropriations:				
Administration:				
Professional fees	6,000	-	-	6,000
Elections	252	-	-	252
Office supplies	190	-	-	190
Commissioner stipends	2,750	-	-	2,750
Total administration	<u>9,192</u>	<u>-</u>	<u>-</u>	<u>9,192</u>
Cost of operations and maintenance:				
Other expenditures:				
Insurance	24,398	-	-	24,398
Advertising	211	-	-	211
Supplies	4,226	-	-	4,226
Training and education	7,265	-	-	7,265
Rental expense	47,500	-	-	47,500
Maintenance and repairs	14,350	-	-	14,350
Communications equipment	5,109	-	-	5,109
Portable fire equipment	20,146	-	-	20,146
Total cost of operations and maintenance	<u>123,205</u>	<u>-</u>	<u>-</u>	<u>123,205</u>
Length of service award program	9,200	-	-	9,200
Total operating appropriations	<u>9,200</u>	<u>-</u>	<u>-</u>	<u>9,200</u>
Debt service for capital appropriations:				
Capital leases	-	-	74,487	74,487
Interest on capital leases	-	-	12,736	12,736
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>87,223</u>	<u>87,223</u>
Total governmental expenditures	<u>141,597</u>	<u>-</u>	<u>87,223</u>	<u>228,820</u>
Excess of revenues over expenditures	5,650	8,233	-	13,883
Fund balance, January 1	56,292	24,699	-	80,991
Fund balance, December 31	<u>\$ 61,942</u>	<u>\$ 32,932</u>	<u>\$ -</u>	<u>\$ 94,874</u>

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2016**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	13,883
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>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.</p>		
Depreciation Expense	<u>(84,342)</u>	(84,342)
<p>Repayment of capital lease principal 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.</p>		
		74,487
<p>Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.</p>		
Prior year	12,154	
Current year	<u>(5,265)</u>	
		<u>6,889</u>
Changes in net position of governmental activities	\$	<u><u>10,917</u></u>

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2016**

	<b><u>Length of Service Award Program</u></b>	<b><u>Totals</u></b>
Assets:		
Investments	\$ 151,760	\$ 151,760
Other receivables	9,200	9,200
	<hr/>	<hr/>
Total assets	160,960	160,960
	<hr/>	<hr/>
Net position:		
Reserved:		
For Length of Service Award Program	160,960	160,960
	<hr/>	<hr/>
Total net position	\$ 160,960	\$ 160,960
	<hr/> <hr/>	<hr/> <hr/>

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the year ended December 31, 2016**

	<b>Length of Service Award Program</b>	<b>Totals</b>
Revenues and other financing sources:		
District contributions	\$ 9,200	\$ 9,200
Total contributions	<u>9,200</u>	<u>9,200</u>
Investment earnings:		
Net appreciation of investments	8,452	8,452
Total investment earnings	<u>8,452</u>	<u>8,452</u>
Total revenues and other financing sources	<u>17,652</u>	<u>17,652</u>
Expenditures:		
Withdrawals	32,493	32,493
Administrative fees and refunds	678	678
Total expenditures	<u>33,171</u>	<u>33,171</u>
Excess of revenues and other financing sources over expenditures	(15,519)	(15,519)
Net position, January 1, unadjusted	-	-
Prior period adjustment	<u>176,479</u>	<u>176,479</u>
Net position, January 1, adjusted	<u>176,479</u>	<u>176,479</u>
Net position, December 31	<u>\$ 160,960</u>	<u>\$ 160,960</u>

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**NOTE 1: GENERAL INFORMATION**

**A. 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. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner’s term is three years with the annual election held the third Saturday of February.

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

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

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

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**B. District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2016:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Nickalis G. Collins	2019
David P. Deegan, Jr.	2017
Joseph C. Petsch, Jr.	2017
James Rohrer	2018
Brian Zimmer	2019

**C. Accounting Records**

The official accounting records of the Franklin Township Fire District No. 5 are maintained in the office of the District.



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 1: GENERAL INFORMATION (continued)**

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended December 31, 2016.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. 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 Board's accounting policies are described below.

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

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

**B. Fund Accounting**

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting (continued)**

hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate “fund types.”

Governmental Funds:

*General Fund*

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of 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.

*Capital Projects Fund*

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, such as firehouses and 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 of the ballot either during the annual election or at a special election.

*Debt Service Fund*

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

*Fiduciary Funds*

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity’s own operating programs which includes private purpose trust funds and agency funds.

*District Wide Financial Statements*

The district-wide financial statements (A-1 and A-2) report information of all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. District Wide and Fund Financial Statements**

significant extent on fees and charges for support. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

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

The district-wide financial statements (A-1 and A-2) include the statement of net position and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

*Fund Financial Statements*

The fund financial statements provide detail of the governmental and fiduciary funds.

**D. Basis of Accounting**

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

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Franklin Township Fire District No. 5 follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

**E. Budgets and Budgetary Accounting**

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 adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the 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.

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 general-purpose financial statements.

**F. Encumbrances**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Encumbrances (continued)**

outstanding encumbrance amounts as of the current year-end. There were no encumbrances as of December 31, 2016.

**G. Cash and Cash Equivalents**

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

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

**H. Prepaid Expenses**

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

**I. Debt Limitation**

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

**J. Capital Assets**

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Capital Assets (continued)**

estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000.

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Vehicles	10 to 20 Years
Firefighting equipment and fixtures	5 to 10 Years

**K. Inventory, Materials and Supplies**

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

**L. Interfund Receivable/Payable**

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

**M. Revenues and Expenditures**

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

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

**N. Fire District Taxes**

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

**O. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Franklin Township Fire District No. 5 classifies governmental fund balances as follows:

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Fund Equity (continued)**

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

**P. Net Position**

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**Q. Use of Estimates**

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Impact of Recently Issued Accounting Principles**

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Impact of Recently Issued Accounting Principles (continued)**

Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Impact of Recently Issued Accounting Principles (continued)**

reporting periods beginning after December 15, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the District's financial statements.

**S. Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**T. Unrealized Gains and Losses**

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2016, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**U. Fair Value Measurement**

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

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

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

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

*Mutual Funds:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Fixed Account Investment Contract:* Valued at the contract's market value as reported by the insurance company.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2016.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**V. Subsequent Events**

Franklin Township Fire District No. 5 has evaluated subsequent events occurring after December 31, 2016 through the date of January 11, 2018, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2016, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Demand deposits	\$ <u>111,900</u>
Total deposits	\$ <u><u>111,900</u></u>
<b>Reconciliation to Governmental and Fiduciary Fund Statements:</b>	
Governmental Funds	\$ <u>111,900</u>
Total	\$ <u><u>111,900</u></u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016, the District's bank balance of \$112,199 was insured or collateralized as follows:

Insured	\$ 112,199
Collateralized not in the District's name under GUDPA	-
Total	\$ <u><u>112,199</u></u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 4: INVESTMENTS (continued)**

**A. Custodial Credit Risk (continued)**

custodial credit risk if the securities are uninsured, are not registered in the name of the Fire District, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2016, are provided in the above schedule.

**C. Investment Credit Risk**

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

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

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2016:

	<i>Assets at Fair Value as of December 31, 2016</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Mutual funds:				
Bond	\$ 9,455	\$ -	\$ -	\$ 9,455
Large Blend/Growth/Value	32,955	-	-	32,955
Mid-Cap Blend/Growth	28,738	-	-	28,738
Real Estate	56	-	-	56
Small Blend/Value	1,846	-	-	1,846
Utilities	13,522	-	-	13,522
International Securities	33,522	-	-	33,522
Total mutual funds	120,094	-	-	120,094
Fixed Account Investment Contract	-	-	31,666	31,666
Total LOSAP at fair value	\$ 120,094	\$ -	\$ 31,666	\$ 151,760

**Level III Gains and Losses**

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2016:

*Level 3 Assets*  
*Year Ended December 31, 2016*

	<u>Fixed Account</u>
Balance, beginning of year	\$ 28,634
Purchases, sales, issuances, and settlements (net)	2,222
Gain and (losses)	810
Balance, end of year	\$ 31,666

**NOTE 5: DUE FROM OTHERS**

As of December 31, 2016, accounts receivables consisted of the following:

SFSG receivable	\$ 1,193
Other receivables	298
Total	\$ 1,491

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 6: CAPITAL ASSETS**

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

Fixed assets consisted of the following at December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Vehicles	1,653,736	-	-	1,653,736
Firefighting equipment and fixtures	455,480	-	-	455,480
Totals at historical cost	<u>2,109,216</u>	<u>-</u>	<u>-</u>	<u>2,109,216</u>
Less: accumulated depreciation:				
Vehicles	(737,635)	(74,290)	-	(811,925)
Firefighting equipment and fixtures	(398,138)	(10,052)	-	(408,190)
Total accumulated depreciation	<u>(1,135,773)</u>	<u>(84,342)</u>	<u>-</u>	<u>(1,220,115)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 973,443</u>	<u>\$ (84,342)</u>	<u>\$ -</u>	<u>\$ 889,101</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2016, the following changes occurred in long-term obligations:

	<u>Principal Outstanding January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding December 31, 2016</u>	<u>Due Within One Year</u>
Obligations under capital lease	<u>\$ 467,416</u>	<u>\$ -</u>	<u>\$ 74,487</u>	<u>\$ 392,929</u>	<u>\$ 61,236</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 467,416</u>	<u>\$ -</u>	<u>\$ 74,487</u>	<u>\$ 392,929</u>	<u>\$ 61,236</u>

**A. Capital Leases Payable**

The Fire District is leasing aerial fire apparatus totaling \$622,300 under a capital lease. The capital lease is for a term of ten years. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2016.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: LONG-TERM OBLIGATIONS (continued)**

**A. Capital Leases Payable (continued)**

<u>Year-ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 61,236	\$ 10,530	\$ 71,766
2018	62,877	8,889	71,766
2019	64,562	7,204	71,766
2020	66,292	5,474	71,766
2021	68,069	3,697	71,766
2022	<u>69,893</u>	<u>1,873</u>	<u>71,766</u>
Total	<u>\$ 392,929</u>	<u>\$ 37,667</u>	<u>\$ 430,596</u>

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM**

The District has a contractual agreement with volunteer firefighters to reward them based on length of service to insure continued service. At an 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 participation goals into individual retirement accounts. 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.

The contribution for the year ended December 31, 2016 and paid in the fiscal year ended December 31, 2017 is \$9,200.

This is not a pension plan as described under the Employee Retirement Security Act, and therefore is not guaranteed to the volunteers until they reach the age 65.

**NOTE 9: OTHER RECEIVABLES/PAYABLES**

Other receivables/payables consist of interfunds. The purpose of the interfunds is for short-term borrowing. As of December 31, 2016, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ -	\$ 42,132
Capital projects fund	32,932	-
Fiduciary fund	<u>9,200</u>	<u>-</u>
Total	<u>\$ 42,132</u>	<u>\$ 42,132</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.



**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 10: FUNDING**

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2016, the fire tax rate on the Fire District No. 2 was approximately \$.134 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of \$1,193.

**NOTE 11: RISK MANAGEMENT**

The 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 District maintains commercial insurance coverage for property, liability and surety bonds. Insurance coverage was maintained in amounts consistent with prior years. The District did not have any claims that exceeded coverage.

**NOTE 12: FUND BALANCE**

**General Fund** – Of the \$61,942 General Fund fund balance at December 31, 2016, \$6,200 has been assigned for subsequent year's expenditures and \$55,742 is unassigned.

**Capital Projects Fund** – Of the \$32,932 Capital Projects Fund fund balance at December 31, 2016, \$32,932 has been restricted for subsequent year's expenditures in Capital.

**NOTE 13: PRIOR PERIOD ADJUSTMENT**

During the year ended December 31, 2015, the Length of Service Award Program fiduciary fund was not presented in the financial statements. On January 1, 2016, the District recorded a prior period adjustment to accurately present the activity of the fiduciary fund in the financial statements for the year ended December 31, 2016.

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2016**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	\$ 121	\$ 121
Other revenue	-	-	2,230	2,230
Total miscellaneous revenues	-	-	2,351	2,351
Operating grant revenues:				
Supplemental fire service grant	1,544	1,544	1,193	(351)
Total operating grant revenue	1,544	1,544	1,193	(351)
Total revenues	1,544	1,544	3,544	2,000
Amount raised by taxation to support district budget				
	239,160	239,160	239,159	(1)
Total anticipated revenues	240,704	240,704	242,703	1,999
Expenditures:				
Operating appropriations:				
Administration:				
Professional fees	4,850	6,000	6,000	-
Elections	300	252	252	-
Office supplies	1,000	-	190	(190)
Commissioner stipend	1,500	2,750	2,750	-
Total administration	7,650	9,002	9,192	(190)
Cost of operations and maintenance:				
Insurance	23,500	24,398	24,398	-
Advertising	700	144	211	(67)
Supplies	9,100	4,429	4,226	203
Training and education	4,000	7,010	7,265	(255)
Rental expense	47,500	47,500	47,500	-
SFSG expenses	1,698	-	-	-
Maintenance and repairs	17,000	6,216	14,350	(8,134)
Communications equipment	6,100	5,267	5,109	158
Portable fire equipment	18,100	31,382	20,146	11,236
Total cost of operations and maintenance	127,698	126,346	123,205	3,141
Length of service award program	16,100	16,100	9,200	6,900
Capital appropriations				
Capital appropriation	8,233	8,233	-	8,233
Capital appropriations	8,233	8,233	-	8,233
Debt service for capital appropriations:				
Capital leases	74,487	74,487	74,487	-
Interest on capital leases	12,736	12,736	12,736	-
Total debt service for capital appropriations	87,223	87,223	87,223	-
Total operating appropriations	246,904	246,904	228,820	18,084
Excess (deficiency) of revenues under (over) expenditures				
	(6,200)	(6,200)	13,883	20,083
Fund balance, January 1,	80,991	80,991	80,991	-
Fund balance, December 31	<u>\$ 74,791</u>	<u>\$ 74,791</u>	<u>\$ 94,874</u>	<u>\$ 20,083</u>

**EXHIBIT I-1**

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the year ended December 31, 2016**

Description	Date of Lease	Term of Lease	Amount of Original Issue Principal	Annual Maturity		Interest Rate Payable	Amount Outstanding		Retired	Issued	Amount Outstanding December 31, 2016
				Date	Amount		January 1, 2016	December 31, 2016			
Apparatus	6/30/11	5 years	\$ 69,880			4.09%	\$ 14,850	\$ -	\$ 14,850	\$ -	-
	6/27/12	10 years	\$ 622,300	6/27/17	61,236	2.68%	452,566	-	59,637	-	392,929
				6/27/18	62,877						
				6/27/19	64,562						
				6/27/20	66,292						
				6/27/21	68,069						
				6/27/22	69,893						
Total \$							467,416	\$ -	\$ 74,487	\$	392,929



Board of Fire Commissioners  
Franklin Township Fire District No. 5  
County of Gloucester  
Township of Franklin, New Jersey 08322

We have audited the basic financial statements of the Franklin Township Fire District No. 5, County of Gloucester, State of New Jersey for the year ended December 31, 2016. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

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

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

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

#### **Contracts and Agreements Requiring Solicitation of Quotations**

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$3,500 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

#### **Examination of Bills**

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

***Comment 2016-001:***

During our substantive testing it was noted that the District did not obtain a claimant's signature filing a formal demand for payment by the vendor on any of the vouchers. It was also noted nine vouchers out of the thirty-six tested were missing a board member signature certifying that funds are available prior to payment.

***Recommendation:***

The District should comply with *N.J.S.A. 40A:5-16* of the Rules and Regulations of the New Jersey Department of Community Affairs, Local Finance Board. The District should implement procedures for obtaining a claimant's signature filing a formal demand for payment by the vendor. The District should also ensure the appropriate signatures are obtained to certify the funds are available prior to payment.

***Management's Response:***

The District will correct this issue.

***Comment 2016-002:***

During our substantive testing it was noted that the District did not execute a formal lease agreement for the firehouse rent.

***Recommendation:***

The District should execute a formal lease agreement detailing the payment terms for the firehouse rent.

***Management's Response:***

The District will correct this issue.

***Comment 2016-003:***

The District over-expended multiple line item accounts. It was also noted the District did not obtain board approval for budget transfers.

***Recommendation:***

The District should perform budget transfers when necessary and obtain board approval of the budget transfers.

***Management's Response:***

The District will correct this issue.

***Comment 2016-004:***

During our audit of cash, we noted that formal bank reconciliations were not performed.

***Recommendation:***

Formal bank reconciliations should be performed on a monthly basis. Outstanding checks and deposits in transit should be identified in each bank reconciliation and investigated further if deemed necessary.

***Management's Response:***

The District will correct this issue.

***Comment 2016-005:***

It was noted during the audit that general ledger maintenance was not being performed. Accounts receivable, accounts payables, fixed assets, and depreciation expense had not been adjusted or recorded since the prior year's audit.

***Recommendation:***

A complete and accurate general ledger system should be implemented and maintained.

***Management's Response:***

The District will correct this issue.

***Comment 2016-006:***

It was noted the audit report had not been filed within four months after year end to the New Jersey Department of Community Affairs.

***Recommendation:***

The District should comply with *N.J.S.A. 5:31-7.6* of the Rules and Regulations of the New Jersey Department of Community Affairs, Local Finance Board, which states the audit is to be filed within four months after year end..

***Management's Response:***

The District will correct this issue.

**Examination of Cash Receipts**

A test check of cash receipts was made.

**Follow-up on Prior Years' Findings:**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. There were no prior year findings.

**Acknowledgment**

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

During our review, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

January 11, 2018  
Toms River, New Jersey