

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5

Financial Statements and Supplementary Schedules

For the year ended December 31, 2019

(With Independent Auditor's Report thereon)

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Financial Statements and Supplementary Schedules
For the year ended December 31, 2019
(With Independent Auditor's Report thereon)

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HOLT MCNALLY & ASSOCIATES

Certified Public Accountants & Advisors

INDEPENDENT AUDITOR'S REPORT

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

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 year ended December 31, 2019, 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 auditors' 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 December 31, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin Township Fire District No. 5's basic financial statements. The accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis as required by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying long-term debt schedules of obligations under capital leases and auto loans are the responsibility of management and were 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 accompanying long-term debt schedules of obligations under capital leases and auto loans are 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 December 12, 2020 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 the effectiveness of the Fire District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin Township Fire District No. 5's internal control over financial reporting and compliance.

Holt McNally & Associates, Inc.

HOLT MCNALLY & ASSOCIATES INC.
Certified Public Accountants and Advisors

Medford, New Jersey
December 12, 2020



HOLT MCNALLY & ASSOCIATES

Certified Public Accountants & Advisors

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
County of Gloucester
Township of Franklin, New Jersey 08322

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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses, described in the accompanying comments and recommendation section as finding no.'s 2019-001, 2019-002 and 2019-004.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four 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 2019-001, 2019-002, 2019-003 and 2019-004.

Management's Response to Findings

Franklin Township Fire District No. 5's response to the findings identified in our audit is described in the accompanying comments and recommendations section. Franklin Township Fire District No. 5's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Franklin Township Fire District No. 5's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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, in considering the Franklin Township Fire District No. 5's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holt McNally & Associates, Inc.

HOLT MCNALLY & ASSOCIATES INC.
Certified Public Accountants and Advisors

Medford, New Jersey
December 12, 2020

**FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2019 by \$678,270. In 2018 the excess was \$656,633. This is an increase of \$21,637.
- During 2019, the District operated at a surplus of \$21,637. The District had a surplus of \$50,100 in 2018. This is a decrease of \$28,463

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 one type of fund group which are governmental 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, capital fund, and debt service 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.

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 2019 the District's assets exceeded the liabilities by \$678,270. The largest portion of Franklin Township Fire District No. 5's assets (61.48%) 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 \$260,112 as of December 31, 2019.

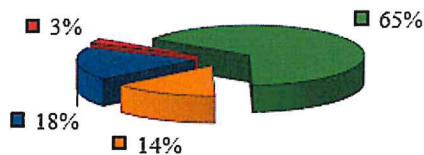
Statement of Net Position

	<u>2019</u>	<u>2018</u>	\$ Increase (Decrease)	% Increase (Decrease)
Current assets	\$ 275,171	\$ 228,091	47,080	20.64%
Capital assets, net	701,594	786,082	(84,488)	-10.75%
Noncurrent assets	164,326	146,800	17,526	11.94%
Total assets	1,141,091	1,160,973	(19,882)	-1.71%
Total liabilities	(462,821)	(504,340)	41,519	-8.23%
Net position	<u>\$ 678,270</u>	<u>\$ 656,633</u>	<u>\$ 21,637</u>	<u>3.30%</u>

	<u>2019</u>	<u>2018</u>	\$ Increase (Decrease)	% Increase (Decrease)
Investment in capital assets, net of related debt	441,482	448,772	(7,290)	-1.62%
Restricted for:				
Capital	121,799	80,364	41,435	51.56%
Debt Service	17,695	17,695	-	0.00%
Unrestricted	97,294	109,802	(12,508)	-11.39%
Total net position	<u>\$ 678,270</u>	<u>\$ 656,633</u>	<u>\$ 21,637</u>	<u>3.30%</u>

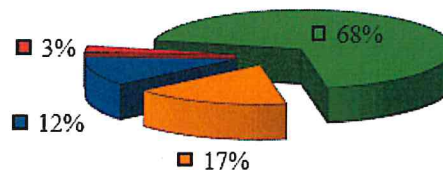
The net position of Franklin Township Fire District No. 5 increased \$21,637 during the 2019 period. This increase was due primarily to a decrease in interest expense and length of service awards program expense.

2019 Net Position



■ Capital Projects
 ■ Debt Service
 ■ Invested in Capital Assets
 ■ Unrestricted

2018 Net Position



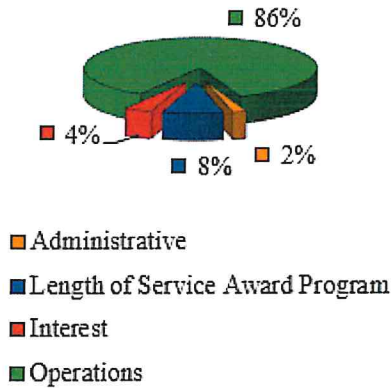
■ Capital Projects
 ■ Debt Service
 ■ Invested in Capital Assets
 ■ Unrestricted

Governmental Activities

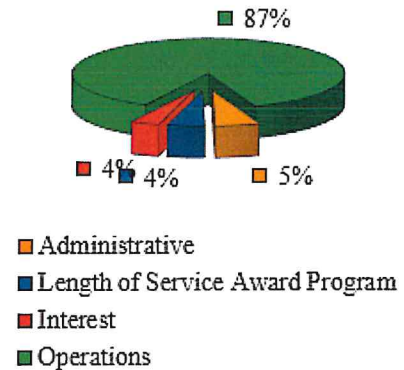
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	<u>2019</u>	<u>2018</u>	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	4,900	13,524	(8,624)	-63.77%
Cost of operations & maintenance	230,780	181,322	49,458	27.28%
Length of service award program	9,200	4,600	4,600	100.00%
Interest Expense	<u>10,221</u>	<u>8,134</u>	2,087	25.66%
Total program expenses	<u>255,101</u>	<u>207,580</u>	47,521	22.89%

2019 Program Expenses

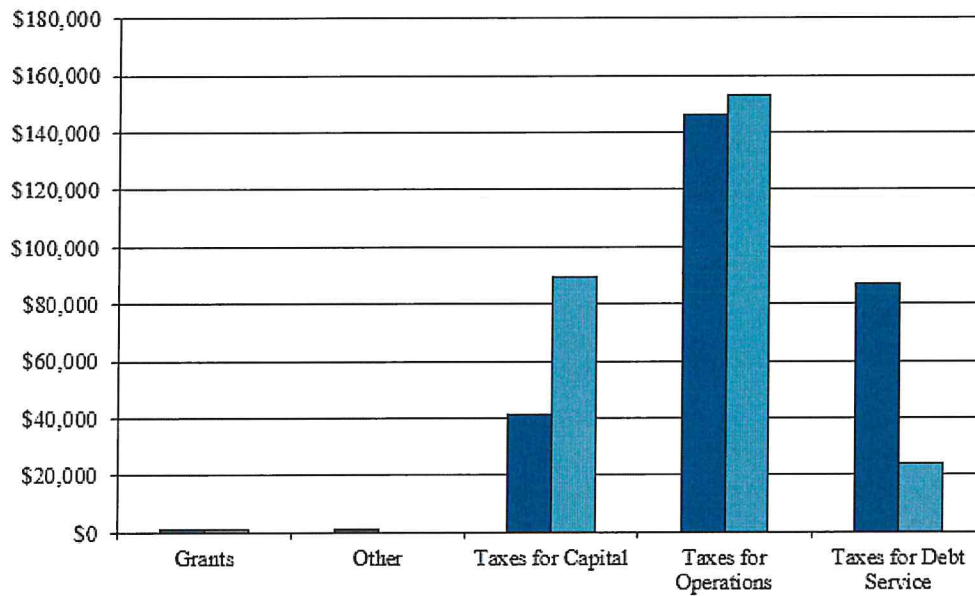


2018 Program Expenses



Revenues				
General revenues				
Property tax levied for				
General purposes	145,979	153,186	(7,207)	-4.70%
Capital purchases	41,435	23,741	17,694	74.53%
Debt service	87,173	89,460	(2,287)	-2.56%
Total property taxes levied	274,587	266,387	8,200	3.08%
Operating grants and contributions	1,193	1,193	-	0.00%
Miscellaneous income	958	-9,918	10,876	-109.66%
Total general revenues	<u>276,738</u>	<u>257,662</u>	19,076	7.40%
Increase (decrease) in net position				
	21,637	50,082	(28,445)	-56.80%
Net position, January 1	<u>656,633</u>	<u>606,551</u>	50,082	8.26%
Net position, December 31	<u>\$678,270</u>	<u>\$656,633</u>	21,637	3.30%

Revenues



Property tax revenue constituted 99.38% of the total governmental activities revenues received by Franklin Township Fire District No. 5 in 2019. In 2018 the property tax revenue constituted 89.9% of total revenues.

The Cost of Operations & Maintenance was 85.89% and 86.94% of the District's total expenses in 2019 and 2018, respectively. Administration expenses equaled 2% and 5% of the total expenses in 2019 and 2018, respectively. Length of service award contribution expenses equaled 8.39% and 4.41% of the total expenses in 2019 and 2018, respectively. Interest expense equaled 3.83% and 3.43% of the total expenses in 2019 and 2018, 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, 2019, the combined balance of the governmental cash funds of Franklin Township Fire District No. 5 was \$271,900. This balance is \$45,000 higher than last year's combined governmental funds cash balance. The funds realized a combined excess of revenues over expenditures for the year of \$46,895.

The combined balance of the governmental funds of Franklin Township Fire District No. 5 was a surplus of \$414,252. Of this amount \$101,231 is unreserved fund balance. The Board has designated \$17,695 for utilization in the 2020 budget. \$121,799 is restricted for capital and \$173,527 is restricted for the length of service awards program.

The general fund is the main operating fund of Franklin Township Fire District No. 5. At the end of 2019, the total fund balance of the general fund was \$274,758.

During 2019 the general fund balance of Franklin Township Fire District No. 5 increased by \$5,265. The primary reasons for this increase are as follows:

- The Board expended less funds than they received in revenues by \$5,265.

At the end of 2019, the District had a capital projects fund balance of \$121,799. This was an increase of \$41,435 from the previous year. The major changes in this fund balance were:

- The Board designated tax levy for future capital outlays of \$41,435.

At the end of 2019, the District had a debt service fund balance of \$17,695. This was an increase of \$0 from the previous year.

General Fund Budgetary Highlights

The original 2019 Budget was balanced with the utilization of \$15,407 of General Fund surplus. The Board realized a budgetary surplus of \$29,173 in 2019. The District expects to operate at a surplus in 2020.

Overall, the District spent \$8,000 less than originally anticipated in administration and \$12,362 more than originally anticipated in operations and maintenance than originally budgeted for in 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019, Franklin Township Fire District No. 5 had invested in capital assets for government activities \$701,594 (net of accumulated depreciation). Capital assets consist of vehicles and firefighting equipment and fixtures. They did not purchase any capital assets in 2019.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2019

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Vehicles	\$ 1,722,230	\$ -	-	\$ 1,722,230
Firefighting equipment and fixtures	455,480	-	-	455,480
Totals at historical cost	<u>2,177,710</u>	<u>-</u>	<u>-</u>	<u>2,177,710</u>
Less: accumulated depreciation:				
Vehicles	(963,931)	(76,903)	-	(1,040,834)
Firefighting equipment and fixtures	(427,697)	(7,585)	-	(435,282)
Total accumulated depreciation	<u>(1,391,628)</u>	<u>(84,488)</u>	<u>-</u>	<u>(1,476,116)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 786,082</u>	<u>\$ (84,488)</u>	<u>\$ -</u>	<u>\$ 701,594</u>

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

At December 31, 2019, the District had \$204,254 in capital leases payable and \$55,858 in loans payable. The District also had a noncurrent obligation of \$173,527 for the length of service award program. This entire obligation is funded by the noncurrent investment in the length of service award program.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2019, 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 2020 budget on January 7, 2020. The voters subsequently voted to approve the adopted budget at the February election. The 2020 budget reflects an increase in the tax levy of \$5,492. The Board is utilizing \$17,695 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 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.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Statement of Net Position
December 31, 2019

	Governmental Activities
	<u>2019</u>
Assets:	
Current assets:	
Cash (Note 3)	\$ 271,928
Due from others	3,243
Total current assets	275,171
Noncurrent assets:	
Investment in length of service awards program (Note 4)	164,326
Capital assets, net (Note 6):	
Depreciable	701,594
Total noncurrent assets	865,920
Total assets	1,141,091
Liabilities:	
Current liabilities:	
Accounts payable	25,245
Accrued interest payable	3,937
Auto loan payable (Note 7)	13,141
Capital lease payable (Note 7)	66,292
Total current liabilities	108,615
Noncurrent liabilities:	
Length of service awards program payable	173,527
Auto loan payable (Note 7)	42,717
Capital leases payable (Note 7)	137,962
Total noncurrent liabilities	354,206
Total liabilities	462,821
Net position:	
Net investment in capital assets	441,482
Restricted net position:	
Capital	121,799
Debt service	17,695
Unrestricted net position	97,294
Total net position	678,270
Total liabilities and net position	\$ 1,141,091

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, 2019

	<u>Expenses</u>	<u>Governmental Activities Total</u>
Government activities:		
Operation appropriations:		
Administration	\$ 4,900	\$ 4,900
Costs of operations and maintenance	230,780	230,780
Length of service awards contribution	9,200	9,200
Interest expense	10,221	10,221
Total government activities	255,101	255,101
General revenues:		
Miscellaneous revenue		958
Operating grant revenues		1,193
Amount raised by taxation		274,587
Total general revenues		276,738
Changes in net position		21,637
Net position, January 1		656,633
Net position, December 31		\$ 678,270

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

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Governmental Funds
Balance Sheet
December 31, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Current assets:				
Cash and cash equivalents	\$ 271,928	\$ -	\$ -	\$ 271,928
Due from other governments	3,243	-	-	3,243
Other receivables	-	121,799	17,695	139,494
Total current assets	<u>275,171</u>	<u>121,799</u>	<u>17,695</u>	<u>414,665</u>
Investment in length of service awards program	164,326	-	-	164,326
Total noncurrent assets	<u>164,326</u>	<u>-</u>	<u>-</u>	<u>164,326</u>
Total assets	<u>439,497</u>	<u>121,799</u>	<u>17,695</u>	<u>578,991</u>
Liabilities, equity and other credits:				
Accounts payable	25,245	-	-	25,245
Other payable	139,494	-	-	139,494
Total liabilities	<u>164,739</u>	<u>-</u>	<u>-</u>	<u>164,739</u>
Fund balances:				
Restricted for:				
Capital	-	121,799	-	121,799
Length of service awards program	173,527	-	-	173,527
Assigned for:				
Subsequent year's expenditures	-	-	17,695	17,695
Unassigned, reported in:				
General fund	101,231	-	-	101,231
Total fund balance	<u>274,758</u>	<u>121,799</u>	<u>17,695</u>	<u>414,252</u>
Total liabilities and fund balance	<u>\$ 439,497</u>	<u>\$ 121,799</u>	<u>\$ 17,695</u>	

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 \$2,177,710 and the accumulated depreciation is \$1,476,116.

701,594

Accrued interest not recorded in current financial statements.

(3,937)

Long-term liabilities, including capital leases payable and length of service awards program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(433,639)

Net position of governmental activities

\$ 678,270

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, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Revenues:				
Miscellaneous anticipated revenue:				
Interest income - unrestricted cash	\$ 498	\$ -	\$ -	\$ 498
Investment income - length of service award program	30,166	-	-	30,166
Other revenue	460	-	-	460
Total miscellaneous revenues	31,124	-	-	31,124
Operating grant revenues:				
Supplemental fire service grant	1,193	-	-	1,193
Total operating grant revenue	1,193	-	-	1,193
Total revenues	32,317	-	-	32,317
Amount raised by taxation to support district budget				
	145,979	41,435	87,173	274,587
Total anticipated revenues	178,296	41,435	87,173	306,904
Expenditures:				
Operating appropriations:				
Administration:				
Professional fees	850	-	-	850
Elections	300	-	-	300.00
Office supplies	1,000	-	-	1,000
Commissioner stipends	2,750	-	-	2,750
Total administration	4,900	-	-	4,900
Cost of operations and maintenance:				
Insurance	25,962	-	-	25,962
Advertising	650	-	-	650
Supplies	9,094	-	-	9,094
Training and education	8,503	-	-	8,503
Rent expense	47,500	-	-	47,500
SFSG expenses	1,698	-	-	1,698
Maintenance and repairs	15,119	-	-	15,119
Communications equipment	5,260	-	-	5,260
Portable fire equipment	32,506	-	-	32,506
Total cost of operations and maintenance	146,292	-	-	146,292
Length of service awards program:				
Participant withdrawals	21,139	-	-	21,139
Administrative fees	700	-	-	700
Total length of service awards program	21,839	-	-	21,839
Debt service for capital appropriations:				
Capital leases	-	-	77,198	77,198
Interest on capital leases	-	-	9,975	9,975
Total debt service for capital appropriations	-	-	87,173	87,173
Total governmental expenditures	173,031	-	87,173	260,204
Excess of revenues over expenditures	5,265	41,435	-	46,700
Fund balance, January 1	269,493	80,364	17,695	367,552
Fund balance, December 31	\$ 274,758	\$ 121,799	\$ 17,695	\$ 414,252

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, 2019

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	46,700
<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>		
Capital Outlays-General Fund	-	
Depreciation expense	(84,488)	(84,488)
<p>Length of service awards program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms.</p>		
<p>Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.</p>		
District contribution to length of service awards program	(9,200)	
Appreciation in fair value of investments	(30,166)	
Participant withdrawals	21,139	
Administrative fees	700	(17,527)
<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>		
		77,198
<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	3,691	
Current year	(3,937)	(246)
Changes in net position of governmental activities	\$	<u>21,637</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, 2019

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, 2019:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Nickalis G. Collins	2020
David P. Deegan, Jr.	2020
Joseph C. Petsch, Jr.	2020
James Rohrer	2021
Brian Zimmer	2020

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, 2019

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 and GASB Statement No. 80, Blending Requirements for Certain Component Units. . The District had no component units as of for the year ended December 31, 2019.

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, 2019

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." As of December 31, 2019, the District only has activities in the governmental fund category.

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.

C. District Wide and Fund Financial Statements

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 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,

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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 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.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

In its accounting and financial reporting, the Franklin Township Fire District No. 5 follows the pronouncements of the Governmental Accounting Standards Board (GASB).

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 outstanding encumbrance amounts as of the current year-end. There were no encumbrances as of December 31, 2019.

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

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents (continued)

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 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

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- 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.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Equity

- 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.

R. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended December 31, 2019:

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. 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, 2019, 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.

T. 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:

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

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2019.

U. Subsequent Events

Franklin Township Fire District No. 5 has evaluated subsequent events occurring after December 31, 2019 through the date of December 12, 2020 which is the date the financial statements were available to be issued.

COVID-19

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic by the World Health Organization and is currently affecting many parts, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and, on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

In New Jersey, Governor Murphy by way of executive orders, has ordered, among other things: all State residents to remain home or at their place of residence unless they meet one or more enumerated exceptions; all State residents to practice social distancing; gatherings of individuals, such as parties, celebrations and social events, are cancelled; non-essential businesses to cease operations from 8:00 p.m. to 5:00 a.m.; all restaurants and bars to close except for delivery or takeout services; casinos, racetracks, gyms and fitness centers and entertainment centers to close; all county and municipal libraries to close; all business and non-profits to accommodate telework or work-from-home arrangements; the cessation of all non-essential construction projects; an extension of insurance premium grace periods; all Pre-K through 12 schools to close; all universities and colleges in the State to cease in-person instruction; The District expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread of and impacts of COVID-19.

The District cannot reasonably predict how long and in what manner the outbreak may impact its financial condition or operations.

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, 2019, and reported at fair value are as follows:

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 271,928
Total deposits	<u>\$ 271,928</u>
Reconciliation to Governmental and Fiduciary Fund Statements:	
Governmental Funds	\$ 271,928
Total	<u>\$ 271,928</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, 2019, the District's bank balance of \$273,795 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized not in the District's name under GUDPA	<u>23,795</u>
Total	<u>\$ 273,795</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 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, 2019, 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:

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

- 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.

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2019:

	Assets at Fair Value as of December 31, 2019			
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<u>Total</u>
LOSAP:				
Mutual Funds	\$ 162,411	\$ -	\$ -	\$ 162,411
Fixed account investment contract	-	-	1,915	1,915
Total assets at fair value	\$ 162,411	\$ -	\$ 1,915	\$ 164,326

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, 2019:

	Level III Assets
	Year Ended
	<u>December 31, 2019</u>
Balance, beginning of year	\$ 146,800
Purchases, sales, issuances and settlements (net)	17,526
Gains & (Losses)	-
Balance, end of year	\$ 164,326

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 5: 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, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Vehicles	\$ 1,722,230	\$ -	-	\$ 1,722,230
Firefighting equipment and fixtures	455,480	-	-	455,480
Totals at historical cost	<u>2,177,710</u>	<u>-</u>	<u>-</u>	<u>2,177,710</u>
Less: accumulated depreciation:				
Vehicles	(963,931)	(76,903)	-	(1,040,834)
Firefighting equipment and fixtures	(427,697)	(7,585)	-	(435,282)
Total accumulated depreciation	<u>(1,391,628)</u>	<u>(84,488)</u>	<u>-</u>	<u>(1,476,116)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 786,082</u>	<u>\$ (84,488)</u>	<u>\$ -</u>	<u>\$ 701,594</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2019, the following changes occurred in long-term obligations:

	Balance <u>12/31/18</u>	Accrued/ <u>increases</u>	Retired/ <u>decreases</u>	Balance <u>12/31/19</u>	Due within <u>one year</u>
Obligations under capital lease	\$ 268,816	\$ -	\$ 64,562	\$ 204,254	\$ 66,292
Auto loan payable	68,494	-	12,636	55,858	13,141
Length of service awards program payable	156,000	39,366	21,839	173,527	-
Total	<u>\$ 493,310</u>	<u>\$ 39,366</u>	<u>\$ 99,037</u>	<u>\$ 433,639</u>	<u>\$ 79,433</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, 2019.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 6: LONG-TERM OBLIGATIONS (continued)

A. Capital Leases Payable (continued)

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 204,254</u>	<u>\$ 11,044</u>	<u>\$ 215,298</u>

B. Auto Loan Payable

The District entered into a loan with for a new command vehicle totaling \$68,494. The loan is for is for a term of five years The following is a schedule of the future minimum lease payments under this loan payable and the present value of the net minimum payments at December 31, 2019.

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 13,141	\$ 2,266	\$ 15,407
2021	13,678	1,728	15,406
2022	14,232	1,175	15,407
2023	<u>14,807</u>	<u>599</u>	<u>15,406</u>
Total	<u>\$ 55,858</u>	<u>\$ 5,768</u>	<u>\$ 61,626</u>

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM

The District’s length of service awards program (“LOSAP”), which is reported in the District’s general fund, was created by a resolution adopted in 2003 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The voters of the District approved the adoption of the LOSAP at the general election held on February 19, 2005, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2006. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents the Township of Franklin come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,150 for the year ended December 31, 2019, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2019, the District contributed a total of \$9,200 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan.

The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts - Each participant's account is credited with the District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the Plan Administrator. Lincoln Financial Group ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

Vesting - Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2019, payments of \$21,139 were made to vested participants.

Forfeited Accounts - There were no forfeitures during the year ended December 31, 2019.

Investments - The investments of the length of service awards program reported on the governmental funds balance sheet are recorded at fair value.

Plan Information - Additional information about the Fire District's length of service awards program can be obtained by contacting the Plan Administrator

NOTE 8: INTERFUND RECEIVABLE/PAYABLE

The purpose of the interfunds is for short-term borrowing. As of December 31, 2019, the following interfund balances remained on the balance sheet:

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: INTERFUND RECEIVABLE/PAYABLE (continued)

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 139,494
Capital projects	121,799	-
Debt service	<u>17,695</u>	<u>-</u>
Totals	<u>\$ 139,494</u>	<u>\$ 139,494</u>

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

As previously mentioned, these amounts are eliminated in the governmental columns of the Statement of Net Position.

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 41,435
Capital projects	<u>41,435</u>	<u>-</u>
Totals	<u>\$ 41,435</u>	<u>\$ 41,435</u>

NOTE 9: 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, 2019, the fire tax rate on the Fire District No. 5 was approximately \$.149 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 10: 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 11: COMMITMENTS

The District entered into a contract with the Star Cross Volunteer Fire Company #1 for the leasing of premises at 4231 Tuckahoe Road, Franklin Township, Gloucester County, New Jersey. The lease is a twenty year lease with future payments at December 31 as follows:

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 11: COMMITMENTS (continued)

For the year ended December 31,	<u>Total</u>
2020	\$ 47,500
2021	47,500
2022	47,500
2023	47,500
2024	47,500
2025-2029	237,500
2030-2034	237,500
2035-2036	<u>95,000</u>
Total	<u>\$ 807,500</u>

NOTE 12: FUND BALANCE

General Fund – Of the \$274,758 General Fund fund balance at December 31, 2019, \$173,527 has been restricted for the length of service award program; and \$101,231 is unassigned.

Capital Projects Fund – Of the \$121,799 Capital Projects Fund fund balance at December 31, 2019, \$121,799 has been restricted for subsequent year’s expenditures in Capital.

Debt Service Fund – Of the \$17,695 Debt service Fund fund balance at December 31, 2019, \$17,695 has been assigned for subsequent year’s expenditures.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Budgetary Comparison Schedule
For the year ended December 31, 2019

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	498	\$ 498
Other revenue	-	-	460	460
Total miscellaneous revenues	-	-	958	958
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	2,151	607
Amount raised by taxation to support district budget				
	274,587	274,587	274,587	-
Total anticipated revenues	276,131	276,131	276,738	607
Expenditures:				
Operating appropriations:				
Administration:				
Professional fees	8,850	8,850	850	8,000
Elections	300	300	300	-
Office supplies	1,000	1,000	1,000	-
Commissioner stipend	2,750	2,750	2,750	-
Total administration	12,900	12,900	4,900	8,000
Cost of operations and maintenance:				
Insurance	26,500	26,500	25,962	538
Advertising	700	700	650	50
Supplies	8,100	8,100	9,094	(994)
Training and education	6,000	6,000	8,503	(2,503)
Rent expense	47,500	47,500	47,500	-
SFSG expenses	1,698	1,698	1,698	-
Maintenance and repairs	18,000	18,000	15,119	2,881
Communications equipment	5,100	5,100	5,260	(160)
Portable fire equipment	20,332	20,332	32,506	(12,174)
Total cost of operations and maintenance	133,930	133,930	146,292	(12,362)
Length of service awards program	16,100	16,100	9,200	6,900
Capital appropriations:				
Reserve for Future Capital Outlay	41,435	41,435	-	41,435
Total capital appropriations	41,435	41,435	-	41,435
Debt service for capital appropriations:				
Capital leases	77,198	77,198	77,198	-
Interest on capital leases	9,975	9,975	9,975	-
Total debt service for capital appropriations	87,173	87,173	87,173	-
Total operating appropriations	291,538	291,538	247,565	43,973
Excess (deficiency) of revenues under (over) expenditures	(15,407)	(15,407)	29,173	44,580
Fund balance, January 1,	211,552	211,552	211,552	-
Fund balance, December 31	\$ 196,145	\$ 196,145	\$ 240,725	\$ 44,580
RECAPITULATION OF FUND BALANCE				
Restricted fund balance:				
Capital reserve			\$ 121,799	
Assigned fund balance:				
Designated for subsequent year's expenditures			17,695	
Unassigned fund balance			101,231	
Total - budgetary basis			240,725	
Reconciliation to governmental fund statements (GAAP):				
Length of service awards program investment balance not recognized on the budgetary basis			173,527	
Total fund balance per governmental funds (GAAP)			\$ 414,252	

EXHIBIT C-1A

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2019

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 276,738
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service awards program investment income. GASB 73 requires the investment appreciation in the length of service awards program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>30,166</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 306,904</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 247,565
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service awards program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan:	
Length of service awards program district contribution	(9,200)
Depreciation in fair value of investments	-
Participant withdrawals	21,139
Administrative fees	<u>700</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 260,204</u></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, 2019

Description	Date of Lease	Term of Lease	Amount of Original Issue Principal	Annual Maturity Date	Annual Maturity Amount	Interest Rate Payable	Amount Outstanding	
							January 1, 2019	December 31, 2019
Apparatus	6/27/12	10 years	\$ 622,300	6/27/20 6/27/21 6/27/22	66,292 68,069 69,893	2.68%	\$ 268,816	\$ 204,254
						Total	\$ 268,816	\$ 204,254

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 5
Long-Term Debt
Schedule of Obligations Under Auto Loans
For the year ended December 31, 2019

Description	Date of Lease	Term of Lease	Amount of Original Issue Principal	Annual Maturity Date	Annual Maturity Amount	Interest Rate Payable	Amount Outstanding January 1, 2019	Issued	Retired	Amount Outstanding December 31, 2019
Command Vehicle	7/6/2018	5 years	\$ 622,300	7/6/2020	13,141	3.99%	\$ 68,494	\$ -	\$ 12,636	\$ 55,858
				7/6/2021	13,678					
				7/6/2022	14,232					
				7/6/2023	14,807					
						Total	\$ 68,494	\$ -	\$ 12,636	\$ 55,858



HOLT MCNALLY & ASSOCIATES

Certified Public Accountants & Advisors

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

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, 2019. 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*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "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*).

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Comment 2019-001:*

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 2019-002:*

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 2019-003:

The District did not establish a corrective action plan in accordance with NJ Statue 40A5:31-7.6.

Recommendation:

The District should formally establish a corrective action plan in accordance with NJ Statue 40A5:31-7.6.

Management's Response:

The District will correct this issue.

Comment 2019-04:

It was noted during the audit that the District did not maintain an appropriate check register.

Recommendation:

A complete and accurate check register system should be implemented and maintained.

Management's Response:

The District will correct this issue.

Budget Adoption

The State of New Jersey requires that the District's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on January 7, 2019 and adopted its operating budget on February 4, 2019.

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

In accordance with government auditing standards, our procedures included a review of all prior year findings reported in the prior year's General Comments and Recommendations. Corrective action had been taken on all prior year findings, with the exception of two current year findings, 2019-001 and 2019-002, which is repeated in this year's recommendations.

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.

Should you have any questions, please contact us.

Holt McNally & Associates, Inc.

HOLT MCNALLY & ASSOCIATES INC.
Certified Public Accountants and Advisors

Medford, New Jersey
December 12, 2020