

Report of Audit

on the

Financial Statements

of the

***Township of Franklin
Fire District No. 1***

for the

*Year Ended
December 31, 2021*

TOWNSHIP OF FRANKLIN
FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditors' Report	1 - 3
Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	4 - 5
<u>PART I - REQUIRED SUPPLEMENTARY INFORMATION</u>	6
Management's Discussion and Analysis	7 - 9
<u>BASIC FINANCIAL STATEMENTS</u>	10
Exh. A - Governmental Funds Balance Sheet/Statement of Net Position - December 31, 2021	11
Exh. B - Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities for the Year Ended December 31, 2021	12
Notes to Financial Statements	13 - 24
<u>PART II - REQUIRED SUPPLEMENTARY INFORMATION</u>	25
Sch. 1 - Supplemental Schedule of Revenues and Expenditures Compared to Budget - Budgetary Basis - for the Year Ended December 31, 2021	26 - 28
<u>PART III - SUPPLEMENTARY INFORMATION</u>	29
Sch. 2 - Supplemental Combining Schedule of Capital Projects Fund Revenues, Expenditures and Change in Fund Balance - Year Ended December 31, 2021	30 - 32
<u>PART IV - OTHER SUPPLEMENTARY INFORMATION</u>	33
Sch. 3 - Supplemental Schedule of Statistical Information	34
Sch. 4 - Officials in Office and Surety Coverage	35
<u>PART V - GENERAL COMMENTS AND RECOMMENDATIONS</u>	36
Recommendations	37



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of Franklin Fire District No. 1
Somerset County, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Township of Franklin Fire District No. 1, Somerset County, New Jersey (the "Fire District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fire District as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Franklin Fire District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Franklin Fire District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Franklin Fire District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Franklin Fire District No. 1 ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2022 on our consideration on Franklin Fire District No. 1 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 the audit performed in accordance with Government Auditing Standards in considering Franklin Fire District No. 1's internal control over financial reporting and compliance.

November 28, 2022



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

**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
Township of Franklin Fire District No. 1
Somerset County, New Jersey

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, the financial statements of Township of Franklin Fire District No. 1, Somerset County, New Jersey (the "Fire District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Fire District's financial statements, and have issued our report thereon dated November 28, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire District's financial statements are free 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

November 28, 2022

PART I - REQUIRED SUPPLEMENTARY INFORMATION

**FRANKLIN TOWNSHIP FIRE DISTRICT #1
SOMERSET COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
December 31, 2021**

The Franklin Township Fire District #1 (the "District") is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since fire commissioners are elected by the public and have decision-making capabilities within the District to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The District is not considered a component-unit of the Township of Franklin, Somerset County, New Jersey (the "Township"). The District does not have any component-units. The following Management's Discussion and Analysis of the activities and financial performance of the District provide an introduction to the financial statements of the District for the year ended December 31, 2021. Please read it in conjunction with the District's financial statements and accompanying notes.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999 and amended by GASB Statement No. 37. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The key financial highlights for the 2021 fiscal year include the following:

Governmental funds reported a total fund balance of \$7,261,518, which is a decrease of 0.5% from last year's total governmental fund balance. The general or operating fund balance was reported at \$6,231,729 of which \$200,000 was appropriated toward the 2022 budget, \$5,391,219 is restricted for length of service awards program (LOSAP) \$128,192 is committed for year-end encumbrances \$10,000 is restricted for future capital outlays, and \$5,100 is reserved for uniform fire safety fees. The unassigned general fund balance is reported at \$497,218. Total spending for all governmental funds was \$4,400,208. Total revenues were \$4,433,546, resulting in a deficit of revenues over expenditures of \$33,338 for the year.

In total, net position decreased \$33,338, which represents a 94.2% decrease from calendar year 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District is a self-supporting entity and follows enterprise fund reporting. The District's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles by the GASB. Enterprise fund statements reflect short- and long-term financial information about the activities and operations of the District. These statements are presented in a manner similar to a private business. While detailed sub-fund information is not presented, separate accounts are maintained for each program and certain restricted funds or accounts have been established as required by bond resolutions and agreements. See the notes to the financial statements for a summary of the District's significant accounting policies.

FINANCIAL ANALYSIS OF THE DISTRICT

The Fire District's Governmental Activities net position were \$7,261,518 at December 31, 2021 representing a decrease of \$33,338 (94.2%) compared to calendar year 2020. Our analysis below focuses on the net position and change in net position of the fire district's governmental activities.

Financial Position. The following table summarizes the changes in financial position between December 31, 2021 and 2020:

	2021	2020	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Cash and Equivalents	\$ 3,801,037	\$ 3,147,201	\$ 653,836	20.8%
Restricted Cash - LOSAP	5,391,219	4,453,291	937,928	21.1%
Accounts Receivable	9,915		9,915	
Capital Assets	3,473,154	4,167,792	(694,638)	-16.7%
Total assets	12,675,325	11,768,284	907,041	7.7%
Current -				
Liabilities	5,413,807	4,473,429	940,378	21.0%
Total Liabilities	5,413,807	4,473,429	940,378	21.0%
Net Position				
Net Investments in Capital Assets	3,473,154	4,167,792	(694,638)	-16.7%
Restricted for Capital Projects	2,957,853	2,214,935	742,918	33.5%
Unrestricted/Committed	830,510	912,128	(81,618)	-8.9%
Total Net Position	\$ 7,261,518	\$ 7,294,855	\$ (33,337)	-0.5%

Results of Operations. The following table summarizes the changes in results of operations between fiscal years 2021 and 2020:

	2021	2020	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Revenues				
District Taxes	\$ 4,329,230	\$ 3,994,140	\$ 335,090	8.4%
Miscellaneous	70,978	175,989	(105,011)	-59.7%
Total Revenues	4,400,208	4,170,129	230,079	5.5%
Expenditures				
Operating Appropriations	3,554,419	2,790,591	763,828	27.4%
Unallocated depreciation/debt	694,638	700,628	(5,990)	-0.9%
LOSAP	184,489	100,649	83,840	83.3%
Total Expenditures	4,433,546	3,591,868	841,678	23.4%
Excess/(Deficit) of Revenues				
Over Expenditures	(33,338)	578,261	(611,599)	-105.8%
Change in Net Position	\$ (33,338)	\$ 578,261	\$ (611,599)	-105.8%

Revenues consist mainly of district taxes. Revenues increase between 2020 and 2021 is mainly attributable to increase in district taxes, net of decreases in miscellaneous revenues in 2021. Miscellaneous revenues decrease is due to sale of municipal assets of \$125,000 made in 2020, while only \$14,000 was made in 2021.

General Fund Budgetary Highlights

During the year, the fire district revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The fire district approves budget changes/transfers during the final two months of the year. Although the district's projected budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year show a surplus.

Actual revenues reflect an unfavorable variance of \$20,072. This is due primarily to the following factors:

- Non-Emergency Usage Income
- Interest on Investments

CAPITAL ASSETS

At December 31, 2021, the fire district had \$3,473,154 invested in capital assets, net of depreciation.

DEBT ADMINISTRATION

The District has no debt as of the date of this report.

FACTORS AFFECTING THE DISTRICT'S FUTURE

The increasing cost of other operating expenses present an on-going budgetary challenge for the District. The District's struggle will be to balance its budget within the 2.0% tax levy cap.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide Franklin Township residents and taxpayers, and the District's customers, investors and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Office Manager, Franklin Township Fire District #1, 370 Campus Drive, P.O. Box 5163, Somerset, New Jersey, 08875-5163.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL	ADJUSTMENTS (NOTE 10)	STATEMENT OF NET POSITION
Cash and Cash Equivalents	\$ 3,801,036.80	\$	\$ 3,801,036.80	\$	\$ 3,801,036.80
Restricted Cash - Length of Service Awards Program (LOSAP)	5,391,219.14		5,391,219.14		5,391,219.14
Accounts Receivable - Due from Millstone	9,915.15		9,915.15		9,915.15
Interfund Accounts Receivable		2,947,853.41	2,947,853.41	(2,947,853.41)	
Capital Assets, net of accumulated depreciation				3,473,154.00	3,473,154.00
Total Assets	\$ 9,202,171.09	\$ 2,947,853.41	\$ 12,150,024.50	525,300.59	12,675,325.09
 LIABILITIES AND NET POSITION					
Liabilities:					
Due to Township of Franklin	\$ 3,822.09	\$	\$ 3,822.09		3,822.09
Reserve for Sale of Assets	18,766.25		18,766.25		18,766.25
Interfund Accounts Payable	2,947,853.41		2,947,853.41	(2,947,853.41)	
Noncurrent liabilities					
Due Beyond One Year				5,391,219.14	5,391,219.14
Total Liabilities	2,970,441.75		2,970,441.75	2,443,365.73	5,413,807.48
 Fund Balances/Net Position:					
Fund Balances:					
Restricted:					
For Capital Projects		2,947,853.41	2,947,853.41	(2,947,853.41)	
Length of Service Awards Program	5,391,219.14		5,391,219.14	(5,391,219.14)	
For Uniform Fire Safety Act Fees	5,100.00		5,100.00	(5,100.00)	
Future Capital Outlays	10,000.00		10,000.00	(10,000.00)	
Committed Fund Balance:					
Year-end Encumbrances	128,192.34		128,192.34	(128,192.34)	
Assigned:					
Designated for Subsequent Year's Expenditures	200,000.00		200,000.00	(200,000.00)	
Unassigned	497,217.86		497,217.86	(497,217.86)	
Total Fund Balances	6,231,729.34	2,947,853.41	9,179,582.75	(9,179,582.75)	
Total Liabilities and Fund Balances	\$ 9,202,171.09	\$ 2,947,853.41	\$ 12,150,024.50		
 Net Position					
Net Investment in Capital Assets				3,473,154.00	3,473,154.00
Restricted for					
Capital Projects				2,957,853.41	2,957,853.41
Other Purposes				133,292.34	133,292.34
Unrestricted				697,217.86	697,217.86
Total Net Position				\$ 7,261,517.61	\$ 7,261,517.61

The Accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
 SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2021

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL	ADJUSTMENTS (NOTE 10)	STATEMENT OF ACTIVITIES
Expenditures:					
Operating Appropriations	\$ 2,366,907.44	\$	\$ 2,366,907.44	\$ 1,187,511.43	\$ 3,554,418.87
Length of Service Award Program	184,489.00		184,489.00		184,489.00
Length of Service Award Program - Withdrawals	35,083.89		35,083.89	(35,083.89)	
Length of Service Award Program - Admin Fees	4,055.00		4,055.00	(4,055.00)	
Depreciation				694,638.00	694,638.00
Capital Appropriations		1,187,511.43	1,187,511.43	(1,187,511.43)	
Total Expenditures	2,590,535.33	1,187,511.43	3,778,046.76	655,499.11	4,433,545.87
Revenues:					
District Taxes	\$ 4,329,230.00	\$	\$ 4,329,230.00	\$	\$ 4,329,230.00
Milistone Borough Service Fee	39,660.60		39,660.60		39,660.60
Interest on Investments on Deposits	727.59		727.59		727.59
Supplemental Fire Services Act Grant	5,550.00		5,550.00		5,550.00
Sale of Equipment	14,000.00		14,000.00		14,000.00
Non-Emergency Usage Income	11,040.00		11,040.00		11,040.00
Length of Service Award Program - Contributions	184,489.00		184,489.00	(184,489.00)	
Length of Service Award Program - Gains	792,578.53		792,578.53	(792,578.53)	
Total Revenues	5,377,275.72		5,377,275.72	(977,067.53)	4,400,208.19
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,786,740.39	(1,187,511.43)	1,599,228.96	(1,632,566.64)	(33,337.68)
Other Financing Sources (Uses):					
Operating Transfers In		1,920,430.00	1,920,430.00		
Operating Transfers Out	(1,920,430.00)		(1,920,430.00)		
Total Other Financing Sources (Uses)	(1,920,430.00)	1,920,430.00			
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	866,310.39	732,918.57	1,599,228.96	(1,599,228.96)	(33,337.68)
Change in Net Position				(33,337.68)	(33,337.68)
Fund Balances/Net Position, January 1	5,365,418.95	2,214,934.84	7,580,353.79		7,294,855.29
Fund Balances/Net Position, December 31	\$ 6,231,729.34	\$ 2,947,853.41	\$ 9,179,582.75	\$	\$ 7,261,517.61

The Accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Franklin Fire District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The accounting policies of the Township of Franklin Fire District No. 1 ("the District") conform to the accounting principles applicable to special districts, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"). The Division has determined that special districts are separate entities for purposes of financial reporting. Accordingly, the Township of Franklin Fire District No. 1 is not considered a component unit of any other governmental unit for financial reporting purposes.

A. Reporting Entity

The District was organized under the laws of the State of New Jersey relating to Fire Districts and established pursuant to N.J.S.A. 40A: 14-70, et seq. The District receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since fire commissioners are elected by the public and have decision-making capabilities within the District to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units, as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

B. Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Position at the Fund Financial Statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

B. Basic Financial Statement Presentation (cont'd.)

Pursuant to single-program government reporting, the District has elected to combine the following: 1. statement of net position and balance sheet for governmental funds; 2. statement of activities and revenues, expenditures, and changes in fund balance for governmental funds.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

C. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following fund types:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The District budgets for capital appropriations, which includes reserves for future capital outlays. The amount raised in the budget for these items are included as reserves of fund balance within the General Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities, including property, plant and equipment spanning more than one budgetary accounting period, by the District.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

D. Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 current assets.

The governmental fund types follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

E. Budgets/Budgetary Controls

The District is required by state law to adopt an annual budget for the General Fund. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types.

F. Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The encumbered appropriation the District carries over into the next year. For budgetary purposes, an entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year-end.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

G. Cash and Cash Equivalents

Cash and cash equivalents include interest bearing accounts and short-term investments with a maturity of three months or less carried at cost, which approximates market.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. 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 at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Interfund Receivables/Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interest is not accrued for these receivables/payables.

I. Inventories of Supplies

Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used. The cost of inventories included on the balance sheet is equally offset by a fund balance reserve account.

J. Prepaid Expenses

The cost of prepaid insurance and other similar items extending over more than one accounting period is accounted for as expenditures of the period of acquisition and not allocated between or among accounting periods. The amount of such prepayments recorded on the balance sheet is equally offset by a fund balance reserve account.

K. Employee Benefits

Vacation, sick pay and other employee benefits are recorded as expenditures when paid.

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of the donation. The district maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

L. Capital Assets (cont'd.)

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

The District does not possess any material amounts of infrastructure capital assets such as sidewalks and parking lots. Such items are considered to be part of the cost of building or other reportable improvable property.

M. Fund Equity

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

N. Net Position

Net position represents the difference between the assets and liabilities in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

O. Reconciliation of Adjustments

The following adjustments/reclassifications were required for the combining of the government-wide and fund financial statements in accordance with GASB:

Statement of Net Position and Governmental Fund Balance Sheet:

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Interfund Accounts Receivable	\$ 2,947,853.41	\$ (2,947,853.41)	\$
Capital Assets, net of accumulated depreciation		3,473,154.00	3,473,154.00
Interfund Accounts Payable	2,947,853.41	(2,947,853.41)	
Noncurrent liabilities - Due Beyond One Year		5,391,219.14	5,391,219.14
Fund Balance			
Restricted	8,354,172.55	(8,354,172.55)	
Committed: Encumbrances	128,192.34	(128,192.34)	
Assigned	200,000.00	(200,000.00)	
Unassigned	497,217.86	(497,217.86)	
Net Position			
Net Investment in Capital Assets		3,473,154.00	3,473,154.00
Restricted for			
Capital Projects		2,957,853.41	2,957,853.41
Other Purposes		133,292.34	133,292.34
Unrestricted		697,217.86	697,217.86

Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balance:

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Expenditures			
Operating Appropriations	\$ 2,366,907.44	\$ 1,187,511.43	\$ 3,554,418.87
Length of Service Award Program	39,138.89	(39,138.89)	
Depreciation Expense		694,638.00	694,638.00
Capital Appropriations	1,187,511.43	(1,187,511.43)	
Length of Service Award Program	977,067.53	(977,067.53)	
Excess/(Deficiency) of Revenues over/(under) Expenditures	1,599,228.96	(1,632,566.64)	(33,337.68)
Excess/(Deficiency) of Revenues and Other Financing Sources over/(under) expenditures and other financing uses	1,599,228.96	(1,599,228.96)	
Change in Net Position		(33,337.68)	(33,337.68)

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 2: DEPOSITS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature within one year. Collateralization of fund investments is generally not required.

At December 31, 2021, the book value of the District's cash and investments was \$3,801,036.80 and the bank balances of the District's cash and deposits amounted to \$4,031,959.92. Of the bank balance, \$500,000.00 was FDIC insured and \$3,531,959.92 was GUDPA insured.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2021, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the District's bank balance of \$4,031,959.92 was considered exposed to custodial risk.

Credit Risk – GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 2: DEPOSITS AND INVESTMENTS (CONT'D.)

Investments

New Jersey statutes permit the District to purchase the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a 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 such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. 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 the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52: 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 3: CAPITAL ASSETS NOTE DISCLOSURE

The following is disclosure of information about capital assets. Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Equipment	\$ 10,466,380.00	\$ _____	\$ _____	\$ 10,466,380.00
Totals at Historical Cost	<u>10,466,380.00</u>	<u> </u>	<u> </u>	<u>10,466,380.00</u>
Less Accumulated Depreciation for:				
Equipment	6,298,588.00	694,638.00	_____	6,993,226.00
Total Accumulated Depreciation	<u>6,298,588.00</u>	<u>694,638.00</u>	<u> </u>	<u>6,993,226.00</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>4,167,792.00</u>	<u>(694,638.00)</u>	<u> </u>	<u>3,473,154.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,167,792.00</u>	<u>\$ (694,638.00)</u>	<u>\$ _____</u>	<u>\$ 3,473,154.00</u>

- Depreciation expense was charged to governmental functions as follow:

Unallocated	<u>\$694,638.00</u>
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Note 4: PENSIONS

The Fire District reported no pensionable employees for the fiscal year ended December 31, 2021.

Employees of the District would be enrolled in the Public Employees Retirement System (PERS). The Division of Pensions in the Department of the Treasury, State of New Jersey, administers the PERS plan. The plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the State, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the District who are members of the plan is not available.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Note 5: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTHCARE BENEFITS

Plan Description: The Franklin Township Fire District No 1 has one employee who may become eligible for postemployment health benefits and currently has no retirees eligible for postemployment benefits. The District provides health benefits and thus any postemployment health benefits, through an internal services agreement with the Township of Franklin, which provides health benefits to its employees through a premium-based traditional risk transfer employee health insurance program. Benefit provisions for the Township are established and amended through negotiations between the Township and the respective unions, along with prior negotiated contracts.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 5: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTHCARE BENEFITS (CONT'D.)

All active employees who retire from the Township/District and meet the eligibility criteria will receive these benefits.

An actuarial company has calculated the actuarial obligations and accrual expenses in accordance with Governmental Accounting Standards Board Statement 45. That report may be obtained by writing to: Township of Franklin 475 DeMott Lane, Somerset, NJ 08873.

Note 6: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at December 31, 2021, were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$	\$ 2,947,853.41
Capital Projects Fund	<u>2,947,853.41</u>	<u>2,947,853.41</u>
	<u>\$ 2,947,853.41</u>	<u>\$ 2,947,853.41</u>

The above interfund reflects the maintenance of a single bank account for investing and record keeping convenience, and is not indicative of an unrecorded residual equity transfer.

Note 7: LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The District has authorized the enactment of a Length of Service Awards Program by Resolution 98-30. The LOSAP program was placed on the ballot at the annual election and was approved by the voters. For the years 2021 and 2020, a budget appropriation of \$200,000.00 and \$155,000.00 respectively was made.

The authorized LOSAP program has been established in accordance with New Jersey Statute, which can be found beginning at N.J.A.C. 5:30-14.1. The LOSAP program shall provide for an annual contribution to a tax deferred income account for each eligible volunteer member that satisfies the criteria as adopted by the District and certified by the fire chief. One year of service shall be credited under the program for each calendar year in which an active emergency volunteer accumulates at least fifty (50) points. Points can be earned by attending training courses, drills, meetings and work details, holding elected or appointed positions, participating in department responses and any other miscellaneous activities approved by the chief. For each of the above categories, maximums are established that require the volunteer to participate in multiple events in order to obtain the required points for attainment of the year of service credit. The annual contribution amount for each year of active service shall be \$1,150.00. In 2021, the annual contribution was raised to \$1,787.00.

All amounts awarded under the LOSAP program remain the asset of the District and the obligation of the District to participating volunteers shall be contractual only. All money shall be subject to the claims of the District's general creditors until distributed to any or all participants. Emergency volunteers are not able to receive a distribution of funds until the completion of a five-year vesting period.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 7: LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) (CONT'D.)

If a volunteer fails to vest or terminates association with the District prior to the completion of the five-year vesting period, the funds placed in the LOSAP account on behalf of the volunteer shall revert to the District, not the volunteer.

On September 24, 2001, the Board accepted resolution 01-19 approving Lincoln Financial Group. The contractor shall post a bond of not less than 100 percent of the amount of funds managed by the contractor and will provide evidence of appropriate liability insurance and errors and omissions insurance. The District shall have a review of the contractor administered LOSAP program as part of the annual audit. The review of the plan shall be made in accordance with the Statement of Standards for Accounting and Review Services issue by the American Institute of Certified Public Accountants. Accordingly, the LOSAP Program is unaudited.

The District has selected Lincoln Financial to administer its LOSAP Program. As of December 31, 2021, the District's LOSAP Program had assets of \$5,391,219.14. The LOSAP expense for December 31, 2021 amounted to \$184,489.00

Note 8: RELATED PARTY TRANSACTIONS

The District receives a substantial amount of its support from local and state governments. In the event of significant reductions in the levels of this support, the District's ability to provide services at current levels may be adversely effected.

Note 9: COMMITMENTS AND CONTINGENCIES

During 2021, the Fire District made payments of \$119,000.00 to each of the four volunteer fire companies within the District. These amounts were included in the District's annual budget and are intended to assist the volunteer companies for facilities maintenance, fire inspections and administrative costs. These annual payments are subject to appropriation in the District budget.

Note 10: FUND BALANCE APPROPRIATED

General Fund – Of the \$6,231,729.34 General Fund fund balance at December 31, 2021, \$200,000.00 has been appropriated and included as anticipated revenue for the year 2022, \$5,100.00 is for Uniform Fire Safety Act Fees, \$10,000.00 is restricted for future capital outlays, \$128,192.34 is reserved for year-end encumbrances, \$5,391,219.14 is restricted for Length of Service Awards Program and \$497,217.86 is unassigned.

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 10: FUND BALANCE APPROPRIATED (CONT'D.)

Capital Projects Fund – Of the \$2,947,853.41 Capital Projects Fund fund balance at December 31, 2021, \$25,787.36 is designated for the purchase of traffic control devices, \$2,000.00 designated for the purchase of fire reporting software, \$88,732.04 is designated for the purchase of GIS software, \$123,051.55 is designated for the purchase of a rescue vehicle for station 56, \$1,551,065.89 is designated for the purchase of Apparatus 26-1, \$355,942.04 is designated for radio infrastructure upgrades, \$28,475.96 is designated for the purchase of truck improvements, \$13,809.54 is designated for the purchase of computer hardware, \$25,126.47 is designated for the purchase of various equipment, \$72,675.85 is designated for office improvements and relocation, \$36,647.63 is designated for the purchase of fire hoses, \$752.76 is designated for district forcible entry system, \$1,477.43 is designated for the GIS system, \$1,584.00 is designated for the van/utility vehicle replacement, \$14,247.24 is designated for the ICV replacement, \$215.95 is designated for Squad 28 apparatus, \$105,000.00 is designated for fire prevention apparatus, \$1,653.70 is designated for TIC/each seat, \$399,608.00 is designated for apparatus replacement for 44 and 56 and \$100,000.00 is designated for the district office building replacement.

Note 11: PENDING LITIGATION

The District is involved in claims and lawsuits, which are generally defended through the District's insurance carrier. Certain claims are in their discovery stage and the potential financial exposure to the District, if any, cannot currently be ascertained. Management indicates there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the Franklin Township Fire District No. 1.

Note 12: SUBSEQUENT EVENTS

The Fire District has evaluated subsequent events occurring after the financial statement date through November 28, 2022, which is the date the financial statements were available to be issued. Based on this evaluation, the Fire District has determined that no subsequent events have occurred which require disclosure in the financial statements.

PART II - REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021

	ORIGINAL 2021 BUDGET	MODIFIED 2021 BUDGET	2021 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Fund Balance Appropriated:				
Unreserved Fund Balance	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ _____
Total Fund Balance Anticipated	<u>300,000.00</u>	<u>300,000.00</u>	<u>300,000.00</u>	<u>_____</u>
Miscellaneous Anticipated Revenues:				
Millstone Borough Service Fee	40,000.00	40,000.00	39,660.60	(339.40)
Non-Emergency Usage Income	20,000.00	20,000.00	11,040.00	(8,960.00)
Interest on Investments and Deposits	8,000.00	8,000.00	727.59	(7,272.41)
Sale of Retired Apparatus	<u>14,000.00</u>	<u>14,000.00</u>	<u>14,000.00</u>	<u>_____</u>
Total Miscellaneous Anticipated Revenues	<u>82,000.00</u>	<u>82,000.00</u>	<u>65,428.19</u>	<u>(16,571.81)</u>
Operating Grant Revenue:				
Supplemental Fire Services Act (P.L. 1985, Ch. 295)	5,550.00	5,550.00	5,550.00	
Township of Franklin - Fire Code Penalties	<u>3,500.00</u>	<u>3,500.00</u>	<u>_____</u>	<u>(3,500.00)</u>
Total Operating Grant Revenue	<u>9,050.00</u>	<u>9,050.00</u>	<u>5,550.00</u>	<u>(3,500.00)</u>
Amount to be Raised by Taxation:				
District Taxes	<u>4,329,230.00</u>	<u>4,329,230.00</u>	<u>4,329,230.00</u>	<u>_____</u>
Total Amount to be Raised by Taxation	<u>4,329,230.00</u>	<u>4,329,230.00</u>	<u>4,329,230.00</u>	<u>_____</u>
Total Revenues	<u>4,720,280.00</u>	<u>4,720,280.00</u>	<u>4,700,208.19</u>	<u>(20,071.81)</u>
Expenditures:				
Operating Appropriations:				
Administration				
Salaries and Wages				
Commissioners	40,500.00	40,500.00	40,500.00	
Administrative Aid	<u>72,000.00</u>	<u>72,000.00</u>	<u>63,341.67</u>	<u>8,658.33</u>
Total Administration Salaries and Wages	<u>112,500.00</u>	<u>112,500.00</u>	<u>103,841.67</u>	<u>8,658.33</u>

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021

	ORIGINAL 2021 BUDGET	MODIFIED 2021 BUDGET	2021 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Expenditures (Cont'd.):				
Operating Appropriations (Cont'd.):				
Administration				
Other Expenses				
Election	\$ 7,200.00	\$ 12,000.00	\$ 11,962.66	\$ 37.34
Office Expenses	10,000.00	10,000.00	4,384.19	5,615.81
Professional Services	76,000.00	91,000.00	36,802.50	54,197.50
Computer System Maintenance	25,000.00	37,300.00	37,276.70	23.30
Training and Travel (NJSA 40A:14-81.5)	30,000.00	32,150.00	32,117.63	32.37
Volunteer Reimb. Program	275,000.00	292,700.00	289,512.07	3,187.93
Fire Prevention Bureau	3,000.00	3,000.00	2,000.00	1,000.00
Total Administration Other Expenses	426,200.00	478,150.00	414,055.75	64,094.25
Costs of Operations and Maintenance				
Other Expenses				
Insurance	400,000.00	357,450.00	337,862.00	19,588.00
Radio Maintenance and Repair	15,000.00	11,700.00	8,952.94	2,747.06
Office Rental and Equipment	100,000.00	96,850.00	57,030.88	39,819.12
District Fuel	35,000.00	40,100.00	40,096.10	3.90
Air and Generator Maintenance	15,000.00	15,000.00	13,584.33	1,415.67
Contracted Services Provided by Volunteer				
Fire Companies (NJSA 40A:14-68)	1,076,100.00	1,136,263.20	1,008,725.77	127,537.43
Emergency Support Service (NJSA 40A:14-85.1)	4,000.00	4,000.00	4,000.00	
Fire District Inspection & Awards	25,000.00	25,000.00	11,000.00	14,000.00
Reimbursements for Expenses and Losses (NJSA 40A: 14-81.4)	1,000.00	1,000.00		1,000.00
Fire CAD Maintenance	5,000.00			
Weathertap Subscription	1,800.00	1,800.00	878.79	921.21
Medical, Physical, Contingency & Hepatitis	60,000.00	49,000.00	44,838.06	4,161.94
District Cell Phones	20,000.00	25,600.00	25,505.34	94.66
District Recruitment/ Retention Staffing	35,000.00	37,210.00	36,962.91	247.09
Franklin Township Fire Prevention	200,000.00	205,550.00	205,501.60	48.40
Exhaust System Maintenance 20 Drops	5,000.00	5,000.00	3,922.06	1,077.94
Gym Maintenance	2,000.00	2,000.00		2,000.00
Knox Box Maintenance	250.00	250.00		250.00
ISO Pump & Ladder Testing	20,000.00	20,000.00	10,646.30	9,353.70
District Equipment and SCBA Maintenance	20,000.00	30,335.29	26,546.95	3,788.34
Bullex	500.00	500.00		500.00
Signal Control Devices Maintenance	5,000.00	5,000.00	4,733.00	267.00
CO Tubes	500.00	500.00		500.00
Contingency	50,000.00	50,000.00	8,222.99	41,777.01
Total Costs of Operations and Maintenance Other Expenses	2,096,150.00	2,120,108.49	1,849,010.02	271,098.47
Total Operating Appropriations	2,634,850.00	2,710,758.49	2,366,907.44	343,851.05

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021

	ORIGINAL 2021 BUDGET	MODIFIED 2021 BUDGET	2021 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Expenditures (Cont'd.):				
Length of Service Awards Program LOSAP	\$ 155,000.00	\$ 155,000.00	\$ 184,489.00	\$ (29,489.00)
Capital Appropriations:				
Capital Outlays (NJSA 40A:14-84)				
Computer Hardware/Network Upgrade	15,000.00	15,000.00	15,000.00	
District Equipment	179,430.00	179,430.00	179,430.00	
GIS System	15,000.00	15,000.00	15,000.00	
Hose Replacement	10,000.00	10,000.00	10,000.00	
New Member Turnout Gear	25,000.00	25,000.00	25,000.00	
Radio Infrastructure Upgrades	311,000.00	311,000.00	311,000.00	
Traffic Control Devices	15,000.00	15,000.00	15,000.00	
Ladder 26	500,000.00	500,000.00	500,000.00	
District Office Building	50,000.00	50,000.00	50,000.00	
Apparatus Replacement 44 and 56	800,000.00	800,000.00	800,000.00	
Future Capital Outlays	10,000.00	10,000.00		10,000.00
Total Capital Outlays	1,930,430.00	1,930,430.00	1,920,430.00	10,000.00
Total Capital Appropriations	1,930,430.00	1,930,430.00	1,920,430.00	10,000.00
Total Expenditures	\$ 4,720,280.00	\$ 4,796,188.49	4,471,826.44	324,362.05
Budgetary Revenues Over Expenses	\$	\$ (75,908.49)	\$ 228,381.75	\$ 304,290.24

Reconciliation of Budgetary Basis to GAAP Reporting Basis:

Budgetary Revenues Over Expenditures	\$ 228,381.75
Adjustments to Budgetary Basis:	
Fund Balance Appropriated	(300,000.00)
Length of Service Award Program (LOSAP)	937,928.64
Operating Transfers - Capital Projects	1,920,430.00
Total Adjustments	2,558,358.64
Excess of Revenues Over Expenditures (Exhibit - B)	\$ 2,786,740.39

PART III – SUPPLEMENTARY INFORMATION

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL COMBINING SCHEDULE OF CAPITAL PROJECTS FUND
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021

	TRAFFIC CONTROL DEVICE	FIRE REPORTING SOFTWARE	TURNOUT GEAR	GIS SOFTWARE	RESCUE ACCRUAL STA 56	LADDER 26 ACCRUAL	RADIO INFRA-STRUCTURE UPGRADES	TRUCK IMPROVEMENTS	COMPUTER HARDWARE/ NETWORK UPGRADE	SUB TOTAL
Expenditures:										
Capital Outlay	\$ 6,322.23	\$ 7,392.00	\$ 25,000.00	\$	\$ 49,889.06	\$	\$ 217,318.39	\$ 26,667.30	\$ 11,456.06	\$ 344,045.04
Total Expenditures	6,322.23	7,392.00	25,000.00		49,889.06		217,318.39	26,667.30	11,456.06	344,045.04
Excess of Revenues Over (Under) Expenditures	(6,322.23)	(7,392.00)	(25,000.00)		(49,889.06)		(217,318.39)	(26,667.30)	(11,456.06)	(344,045.04)
Other Financing Sources (Uses):										
Operating Transfers In	15,000.00		25,000.00			500,000.00	311,000.00		15,000.00	886,000.00
Operating Transfers Out										
Total Other Financing Sources (Uses)	15,000.00		25,000.00			500,000.00	311,000.00		15,000.00	886,000.00
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	8,677.77	(7,392.00)			(49,889.06)	500,000.00	93,681.61	(26,667.30)	3,543.94	521,954.96
Fund Balances at Beginning of Year	17,109.59	9,392.00		88,732.04	172,940.61	1,051,065.89	262,260.43	55,143.26	10,265.60	1,686,909.42
Fund Balances at End of Year	\$ 25,787.36	\$ 2,000.00	\$	\$ 88,732.04	\$ 123,051.55	\$ 1,551,065.89	\$ 365,942.04	\$ 28,475.96	\$ 13,809.54	\$ 2,188,864.38
Analysis of Expenditures - Year Ended December 31, 2021										
Paid by General Fund	\$ 6,322.23	\$ 7,392.00	\$ 25,000.00	\$	\$ 49,889.06	\$	\$ 217,318.39	\$ 26,667.30	\$ 11,456.06	\$ 344,045.04
Accounts Payable										
Total Expenditures	\$ 6,322.23	\$ 7,392.00	\$ 25,000.00	\$	\$ 49,889.06	\$	\$ 217,318.39	\$ 26,667.30	\$ 11,456.06	\$ 344,045.04

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL COMBINING SCHEDULE OF CAPITAL PROJECTS FUND
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021

	VARIOUS DISTRICT EQUIPMENT	OFFICE IMPROVEMENTS/ RELOCATION	HAZMAT STATION 26	DISTRICT OFFICE BUILDING REPLACEMENT	FIRE HOSE REPLACEMENT	APPARATUS REPLACEMENT 44 AND 56	TIC PER EACH SEAT	CHIEF VEHICLES A CARS	CHIEF VEHICLES B CARS	SUB TOTAL
Expenditures:										
Capital Outlay	\$ 193,352.23	\$	4,624.56	\$	\$	400,392.00	7,273.70	119.43	5,749.72	611,511.64
Total Expenditures	193,352.23		4,624.56			400,392.00	7,273.70	119.43	5,749.72	611,511.64
Excess of Revenues Over (Under) Expenditures	(193,352.23)		(4,624.56)			(400,392.00)	(7,273.70)	(119.43)	(5,749.72)	(611,511.64)
Other Financing Sources (Uses):										
Operating Transfers In	179,430.00			50,000.00	10,000.00	800,000.00				1,039,430.00
Operating Transfers Out										
Total Other Financing Sources (Uses)	179,430.00			50,000.00	10,000.00	800,000.00				1,039,430.00
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(13,922.23)		(4,624.56)	50,000.00	10,000.00	399,608.00	(7,273.70)	(119.43)	(5,749.72)	427,918.36
Fund Balances at Beginning of Year	39,048.70	72,675.85	4,624.56	50,000.00	26,647.63		8,927.40	119.43	5,749.72	207,793.29
Fund Balances at End of Year	\$ 25,126.47	\$ 72,675.85	\$ 4,624.56	\$ 100,000.00	\$ 36,647.63	\$ 399,608.00	\$ 1,653.70	\$	\$	\$ 635,711.65

Analysis of Expenditures - Year Ended December 31, 2021:

Paid by General Fund	\$ 193,352.23	\$	4,624.56	\$	\$	400,392.00	7,273.70	119.43	5,749.72	955,556.68
Accounts Payable										
Total Expenditures	\$ 193,352.23	\$	4,624.56	\$	\$	400,392.00	7,273.70	119.43	5,749.72	955,556.68

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY
SUPPLEMENTAL COMBINING SCHEDULE OF CAPITAL PROJECTS FUND
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021

	DISTRICT FORCIBLE ENTRY SYSTEM	GIS SYSTEM	VAN/ UTILITY REPLACEMENT	ICV REPLACEMENT (4)	PUMPER REPLACEMENT	AERIAL SUPPORT/ DRONE PROGRAM	SQUAD 28	FIRE PREVENTION APPARATUS	TOTAL
Expenditures:									
Capital Outlay	\$ 872.24	\$ 39,580.38	\$	\$ 6,707.30	\$ 1,717.50	\$ 47.31	\$ 183,030.02	\$	\$ 1,187,511.43
Total Expenditures	872.24	39,580.38		6,707.30	1,717.50	47.31	183,030.02		1,187,511.43
Excess of Revenues Over (Under) Expenditures	(872.24)	(39,580.38)		(6,707.30)	(1,717.50)	(47.31)	(183,030.02)		(1,187,511.43)
Other Financing Sources (Uses):									
Operating Transfers In		15,000.00							1,920,430.00
Operating Transfers Out									
Total Other Financing Sources (Uses)		15,000.00							1,920,430.00
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(872.24)	(24,580.38)		(6,707.30)	(1,717.50)	(47.31)	(183,030.02)		732,918.57
Fund Balances at Beginning of Year	1,625.00	26,057.81	1,584.00	20,954.54	1,717.50	47.31	183,245.97	105,000.00	2,214,934.84
Fund Balances at End of Year	752.76	1,477.43	1,584.00	14,247.24	\$	\$	215.95	105,000.00	2,947,853.41
Analysis of Expenditures - Year Ended December 31, 2021:									
Paid by General Fund	\$ 872.24	\$ 39,580.38	\$	\$ 6,707.30	\$ 1,717.50	\$ 47.31	\$ 183,030.02	\$	\$ 1,187,511.43
Accounts Payable									
Total Expenditures	\$ 872.24	\$ 39,580.38	\$	\$ 6,707.30	\$ 1,717.50	\$ 47.31	\$ 183,030.02	\$	\$ 1,187,511.43

32

PART IV – OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF STATISTICAL INFORMATION

Property Tax Levies

The following is a tabulation of District Assessed Valuations, Tax Levies and Property Tax Rates Per \$100 of Assessed Valuations for current and the preceding two years:

<u>Year Ended</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rate Per \$100 Assessment</u>
December 31, 2021	\$6,232,607,319.00	\$4,329,230.00	\$0.069
December 31, 2020	5,962,024,088.00	3,994,140.00	0.067
December 31, 2019	5,800,064,246.00	4,011,563.00	0.069

Restricted/Assigned/Unassigned Fund Balance

The following is a tabulation of District Restricted/Assigned/Unassigned Fund Balance at year end and the amount included as anticipated revenue in the subsequent year budget for the current and preceding two years:

<u>Year Ended</u>	<u>Restricted/Assigned/Unassigned General Fund Balance</u>	<u>Utilized Subsequent Budget</u>
December 31, 2021	\$830,510.20	\$200,000.00
December 31, 2020	912,128.45	300,000.00
December 31, 2019	785,399.81	250,000.00

<u>Year Ended</u>	<u>Restricted/LOSAP General Fund Balance</u>	<u>Utilized Subsequent Budget</u>
December 31, 2021	\$5,391,219.14	None
December 31, 2020	4,453,290.50	None
December 31, 2019	4,094,958.18	None

<u>Year Ended</u>	<u>Restricted Capital Fund Balance</u>	<u>Utilized Subsequent Budget</u>
December 31, 2021	\$2,957,853.41	None
December 31, 2020	2,214,934.84	None
December 31, 2019	2,562,774.26	None

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY

OFFICIALS IN OFFICE AND SURETY COVERAGE
AS AT DECEMBER 31, 2021

The following officials were in office at December 31, 2021:

<u>Board of Fire Commissioners:</u>	<u>Title</u>	<u>Amount of Surety</u>
James Wickman	Chairman/Treasurer	\$ 1,500,000.00
Jason Goldberg	Commissioner	
Richard Hibbard	Commissioner	
Timothy Janho	Commissioner	
Patrick Shimalla	Commissioner	
 <u>Other Officials:</u>		
Dominic DiYanni, Esq.	Attorney	
Dawn Cuddy	Office Manager	
 <u>Surety Company:</u>		
American Alternative Insurance Corporation		
All Officials and Employees		\$ 1,500,000.00

PART V – GENERAL COMMENTS AND RECOMMENDATIONS

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 1
SOMERSET COUNTY, NEW JERSEY
YEAR ENDED DECEMBER 31, 2021

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Township of Franklin Fire District No. 1, Somerset County, New Jersey, for the year ended December 31, 2021 has been completed.

RECOMMENDATIONS

None

ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials and employees of the District, and the courtesies extended to us were greatly appreciated.