TOWNSHIP OF FRANKLIN
FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2019

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
CRANFORD, N.J.

TOWNSHIP OF FRANKLIN
FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

TABLE OF CONTENTS

	PAGE(S)
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 Government Auditing Standards	4 - 5
PART I - REQUIRED SUPPLEMENTARY INFORMATION	6
Management's Discussion and Analysis	7 - 13
BASIC FINANCIAL STATEMENTS	14
Exh. A - Governmental Funds Balance Sheet/Statement of Net Position - December 31, 2019	15
Exh. B - Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities for the Year Ended December 31, 2019	16
Notes to Financial Statements	17 - 27
PART II - REQUIRED SUPPLEMENTARY INFORMATION	28
Sch. 1 - Supplemental Schedule of Revenues and Expenditures Compared to Budget - Budgetary Basis - for the Year Ended December 31, 2019	29 – 30
PART III - OTHER SUPPLEMENTARY INFORMATION	31
Sch. 2 - Supplemental Schedule of Statistical Information	32
Sch. 3 - Officials in Office and Surety Coverage	33
PART IV - OTHER INFORMATION	34
General Comments	35 - 37
Recommendations	38
Acknowledgment	38

HODULIK & MORRISON, P.A.

A division of PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners of the
Township of Franklin Fire District No. 3
Somerset County, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the Township of Franklin Fire District No. 3, Somerset County, New Jersey, (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township of Franklin Fire District No. 3'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 the 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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.

20 Commerce Drive, Suite 301, Cranford, NJ 07016
Tel: 908.272.6200 I Fax: 908.272.2416

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Township of Franklin Fire District No. 3, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019 ("COVID-19"). Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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 inquires, 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 an opinion on the financial statements that collectively comprise the Township of Franklin Fire District No. 3's basic financial statements. The Part III - Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules and information, contained in Part III - Other Supplementary Information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2020 on our consideration of the Township of Franklin Fire District No. 3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the Township of Franklin Fire District No. 3's internal control over financial reporting and compliance.

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Cranford, New Jersey
November 18, 2020

HODULIK & MORRISON, P.A.
A division of PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners of the
Township of Franklin Fire District No. 3
Somerset County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Franklin Fire District No. 3 (the "District") as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated November 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Franklin Fire District No. 3'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Franklin Fire District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Franklin Fire District No. 3'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.

20 Commerce Drive, Suite 301, Cranford, NJ 07016
Tel: 908.272.6200 I Fax: 908.272.2416

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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 Township of Franklin Fire District No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We noted other matters involving internal control over financial reporting that we have reported to management of the Township of Franklin Fire District No. 3 in the General Comments section of the Report of Audit.

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.

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Public School Accountants

Cranford, New Jersey
November 18, 2020

PART I - REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN TOWNSHIP FIRE DISTRICT #3
SOMERSET COUNTY, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019
(Unaudited)

The Franklin Township Fire District #3 (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, 2019. 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.

USING THIS REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Franklin Township Fire District No. 3 as financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

DISTRICT-WIDE FINANCIAL STATEMENTS

These statements provide both short-term and long-term information about the District's overall financial status.

FUND FINANCIAL STATEMENTS

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

	District –wide Statements	Fund Financial Statements Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary	Instances in which the district administers resources on behalf of someone else
Required financial statements	-Statement of net position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures, and changes in fund balance	-Statement of fiduciary net position -Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term. The District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received of paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions, during the year, regardless of when cash is received or paid

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Franklin Township Fire District No. 3, the General Fund is by far the most significant fund.

REPORTING THE DISTRICT AS A WHOLE
STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District, as a whole looks at all financial transactions and asks the question, “How did we do financially during 2019?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The cause of this change may be the result of many factors, some financial and some not. Non-financial factors include the District’s property tax base, current laws in New Jersey restricting revenue growth, facility condition, required programs and other factors.

REPORTING THE DISTRICT’S MOST SIGNIFICANT FUNDS
FUND FINANCIAL STATEMENTS

Fund financial reports provide detailed information about the District’s funds. The District uses many funds to account for a multitude of financial transaction. The District’s governmental funds are the General Fund and Capital Projects Fund.

GOVERNMENTAL FUNDS

The District’s activities are reported in governmental fund, which focus on how money flows in and out of those funds and the balance left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services 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 programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government’s financial position. The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1
Summary of Net Position

	2019	2018	% Increase/ (Decrease)
Current Assets	$ 1,164,639	$ 755,636	54.13%
Capital Assets (net of accum depreciation)	1,296,707	1,671,732	-22.43%
Total Assets	2,461,346	2,427,368	1.40%
Other Liabilities	3,312	3,278	1.04%
Total Liabilities	3,312	3,278	1.04%
Net Position			
Net investment in capital assets	1,296,707	1,671,732	-22.43%
Restricted	300,000		
Other Purposes	48	29,777	-99.84%
Unrestricted	861,279	722,581	19.19%
Total Net Position	$ 2,458,034	$ 2,424,090	1.40%

Table A-2
Change in Net Position

	2019	2018	% Increase/ (Decrease)
Revenues:			
General Revenues			
Property Taxes	$ 1,700,007	$ 1,666,674	2.00%
Supplemental Fire Services	8,723	8,723	0.00%
Other	27,955	4,509	519.98%
Total revenues	1,736,685	1,679,906	3.38%
Expenditurs			
Administration	337,379	351,520	-4.02%
Cost of Operations and Maintenance	889,971	1,114,014	-20.11%
Other	100,366	119,702	-16.15%
Depreciation	375,025	375,025	0.00%
Total Expenditures	1,702,741	1,960,261	-13.14%
Excess (Deficiency) of Revenues Over (Under Expenditures	33,944	(280,355)	-112.11%
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	$ 33,944	$ (280,355)	-112.11%

GOVERNMENTAL ACTIVITIES

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 97.89% of revenue for governmental activities for Franklin Township Fire District No. 3 for 2019. The District's total revenues were $1,736,685 for the year ended December 31, 2019. State aid accounted for another 0.50% of revenue, other miscellaneous revenue accounted for the remaining 1.61%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was place on the District's taxpayers by each of these functions.

Table A-3
Cost of Services vs. Net Cost of Services

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Administration	$ 337,379	$ 337,379	$ 351,520	$ 351,520
Cost of Operations and Maintenance	889,971	889,971	1,114,014	1,114,014
Length of Service Awards Program	100,366	100,366	119,702	119,702
Depreciation	375,025	375,025	375,025	375,025
Total	$ 1,702,741	$ 1,702,741	$ 1,960,261	$ 1,960,261

Administration includes expenses associated with administrative and financial supervision of the District.

Cost of Operations and Maintenance includes keeping equipment in an effective working condition.

THE DISTRICT'S FUNDS

All governmental funds (i.e., general fund and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to $1,736,685 and expenditures were $1,702,741. The change in fund balance for the year in the general fund was a decrease of $280,354.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the General Fund for the year ended December 31, 2019, and the amount of percentage of increases and decreases in relation to prior year revenues.

Table A-4
Summary of Revenues-General Fund

	2019	2018	Increase/ (Decrease) from 2018	Percentage of Increase/ (Decrease)
Revenues:				
Local Sources:				
Property Taxes	$ 1,700,007	$ 1,666,674	$ 33,333	2.00%
Other	27,955	4,509	23,446	519.98%
State Sources	8,723	8,723	-	0.00%
Total revenues	$ 1,736,685	$ 1,679,906	$ 56,779	3.38%

The following schedule presents a summary of General Fund expenditures for the year ended December 31, 2019 and the percentage of increases and decreases in relation to prior year amounts.

Table A-5
Summary of Expenditures-General Fund

	2019	2018	Increase/ (Decrease) from 2018	Percentage of Increase/ (Decrease)
Expenditures				
Administration	$ 337,379	$ 351,520	$ (14,141)	-4.02%
Cost of Operations and Maintenance	889,971	1,114,014	(224,043)	-20.11%
Other	100,366	119,702	(19,336)	-16.15%
Total Expenditures	$ 1,327,716	$ 1,585,236	$ (257,520)	-16.24%

CAPITAL ASSETS

At the end of the year 2019, the District had $1,327,716 invested in equipment and vehicles, net of accumulated depreciation. Table 6 shows 2019 balances compared to 2018.

Table A-6
Summary of Capital Assets
(Net of Depreciation)

	2019	2018	Increase/ (Decrease) from 2018	Percentage of Increase/ (Decrease)
Land	$ 100,000	$ 100,000	$ -	0.00%
Building and Building Improvements	66,989	86,992	(20,003)	-22.99%
Vehicles	1,129,718	1,484,740	(355,022)	-23.91%
Total Expenditures	$ 1,296,707	$ 1,671,732	$ (375,025)	-22.43%

LONG-TERM DEBT

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

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 District Treasurer, Franklin Township Fire District #3, 138 Shevchenko Avenue, Somerset, New Jersey, 08873.

BASIC FINANCIAL STATEMENTS

Exhibit - A

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS	GENERAL FUND	CAPITAL FUND	TOTAL	ADJUSTMENTS NOTE (1L)	STATEMENT OF NET POSITION
Cash and Cash Equivalents	$ 1,164,639	$	$ 1,164,639	$	$ 1,164,639
Interfund Receivable			-	-	-
Capital Assets, net of accumulated depreciation				1,296,707	1,296,707
Total Assets	$ 1,164,639	$ -	$ 1,164,639	$ 1,296,707	$ 2,461,346
LIABILITIES AND NET POSITION					
Liabilities:					
Reserve for Training from Dedicated Penalties	$ 3,312	$	$ 3,312	$	$ 3,312
Total Liabilities	3,312	-	3,312	-	3,312
Fund Balances/Net Position:					
Fund Balances:					
Restricted:					
For Future Capital Outlays	300,000		300,000	(300,000)	
Committed for:					
Year-end Encumbrances	48		48	(48)	
Assigned:					
Designated for Subsequent Year's Expenditures	300,501		300,501	(300,501)	
Unassigned:	560,778	-	560,778	(560,778)	
Total Fund Balances	1,161,327	-	1,161,327	(1,161,327)	-
Total Liabilities and Fund Balances	$ 1,164,639	$ -	$ 1,164,639		
Net Position					
Net Investment in Capital Assets				1,296,707	1,296,707
Restricted for Capital Acquisitions				300,000	300,000
Other Purposes				48	48
Unrestricted				861,279	861,279
Total Net Position				$ 2,458,034	$ 2,458,034

Note: See Notes to Financial Statements

Exhibit - B

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	GENERAL FUND	CAPITAL FUND	TOTAL	ADJUSTMENTS NOTE (1L)	STATEMENT OF ACTIVITIES
Revenues:					
District Taxes	$ 1,700,007	$	$ 1,700,007	$	$ 1,700,007
Interest on Investments on Deposits	9,297		9,297		9,297
Supplemental Fire Services Act Grant	8,723		8,723		8,723
Miscellaneous	18,659		18,659		18,659
Total Revenues	1,736,686	-	1,736,686	-	1,736,686
Expenditures:					
Operating Appropriations	1,327,717		1,327,717		1,327,717
Depreciation				375,025	375,025
Total Expenditures	1,327,717	-	1,327,717	375,025	1,702,742
Excess (Deficiency) of Revenues Over (Under) Expenditures	408,969	-	408,969	(375,025)	33,944
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	408,969	-	408,969	(408,969)	
Change in Net Position				33,944	33,944
Fund Balances/Net Position, January 1	752,358		752,358		2,424,090
Fund Balances/Net Position, December 31	$ 1,161,327	$ -	$ 1,161,327	$ (375,025)	$ 2,458,034

Note: See Notes to Financial Statements

TOWNSHIP OF FRANK
LIN FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Franklin Township Fire District No. 3 (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. For the year ended December 31, 2018 the financial statements of the Franklin Township Fire District No. 3 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the year ended December 31, 2004 the District implemented the new financial reporting requirements of GASB 34. As a result, an entirely new financial presentation format has been presented. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

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 the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financials statements include all funds of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation - Fund Accounting

Combined Fund and Government-wide Financial Statements

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

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 principle of fund accounting requires that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The District does not maintain any proprietary or fiduciary funds.

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

B. Basis of Presentation - Fund Accounting (Cont'd.)

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.

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.

In conformity with GASB 34, the District combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts 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.

C. Basis of Accounting

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.

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

D. 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.

E. Recent Accounting Standards

GASB issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” in April 2018. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB issued Statement No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

E. Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 91 "Conduit Debt Obligations" in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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.

G. 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.

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 25 years for fire fighting equipment, and 5 years for fire fighting equipment and general purpose vehicles. Capital assets not being depreciated include land and construction in progress.

Prior to January 1, 2003 the capital assets were not depreciated. Estimated accumulated depreciation has been reflected in the statement of net position based on the assets' remaining useful lives.

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

H. 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.

Government-wide Basis

Equity is classified as net position and is displayed in two components;
a. Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation
b. Unrestricted net position – All net position that does not meet the definition of “restricted” or “net investment in capital assets”.

I. 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.

J. Interfund Receivables/Payables

Transfers are used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires expending them. Transfers between the general and capital fund of the District net to zero on the Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Governmental Funds Balance Sheet and the Statement of Net Position.

K. 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.

L. Net Position

Net position represents the difference between the assets and liabilities in the District-wide financial statements. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are 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.

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

M. 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:

	From	Adjustment	To
Capital Assets, net of accum. depr.	$0	$1,296,707	$1,296,707
Fund Balance			
Restricted	300,000	(300,000)	0
Committed	48	(48)	0
Assigned	300,501	(300,501)	0
Unassigned	560,778	(560,778)	0
Net Position			
Net Investment in Capital Assets	0	1,296,707	1,296,707
Restricted	0	300,000	300,000
Other Purposes	0	48	48
Unrestricted	0	861,279	861,279

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

	From	Adjustment	To
Depreciation Expense	0	375,025	375,025
Excess/(Deficiency) of Revenues over/(under) Expenditures	408,969	(375,025)	33,944
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	408,969	(408,969)	0
Change in Net Position	0	33,944	33,944

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, 2019, the book value of the District's cash and investments was $1,164,639 and the bank balances of the District's cash and deposits amounted to $1,178,714. Of the bank balance, $250,000 was FDIC insured and $928,714 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, 2019, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the District's bank balance of $1,178,714 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.

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;

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

Investments (Cont'd)

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.

Governmental Accounting Standards Board Statement No. 40 – Deposit and Investment Risk Disclosures requires the District to disclose its deposits and investment policies regarding certain type of investment risks.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of December 31, 2019, the District did not have deposits with the New Jersey Cash Management Fund.

Note 3: PENSIONS

Eligible employees participate in the Public Employees Retirement System (PERS); a contributory defined benefit public employee retirement system that was established by State statutes. The system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The System is considered a cost sharing multiple-employer plan. Covered employees are required by statute to contribute a certain percentage of their salary to the Plan. The Division of Pensions bills the district annually for its required contribution.

The PERS was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be $1/60^{th}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula bit, but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members, employers, and the State of New Jersey. Member contribution rates range from 4.96% to 9.91% of salary based on the member's age at date of enrollment, which is reduced by 2% for salary subject to Social Security. Once members are assigned a rate, it is not normally adjusted.

In accordance with the pension reform legislation the age-based contribution rates and the 2% offset up to the social security wage base limit have been eliminated and a uniform contribution rate of 5% has been established for all members. This change is being phased in over a two-year period as follows: Beginning July 1, 1994, all new members were assigned a 5% contribution rate. For those enrolled prior to this date, the rate change to 5% was effective July 1, 1995, with 1% offset for those employees whose previous full contribution rate was less than 6%.

In accordance with the provisions of N.J.S.A. 43:15A, the contribution policy requires state related employers and the State of New Jersey to make a normal contribution and a n accrued liability contribution, if applicable, determined by a qualified actuary. The actuary uses the projected unit credit method of funding. The normal contribution includes cost-of-living adjustments, and an amount that is required to fund noncontributory death benefits.

The Franklin Township Fire District No. 3 participates in the PERS through the Township of Franklin. No information related to contributions made by the Township of Franklin on behalf of the District is available as the District employees are combined with the Township employees for reporting purposes to the Division of Pensions.

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 3: PENSIONS (CONT'D.)

The Township of Franklin has enrolled eligible District employees in the PERS through its membership. For the year ended December 31, 2019 the amount paid was for $3,325 for normal pension contributions.

For the year ended December 31, 2019 the Franklin Township Fire District No. 3's total payroll for all employees was $44,332. Total PERS covered payroll was $42,520. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

Information presently available from the Public Employees Retirement System precludes the calculations of the portion of the Township's reported Net Pension Liability that is attributable to the District employees and retirees reported by the Township.

Note 4: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTHCARE BENEFITS

Plan Description: The Franklin Township Fire District No 3 has one employee who is eligible for postemployment health benefits. The District plans on reserving the actuarial based future cost of this benefit once final guidance is provided from the State of New Jersey.

Note 5: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The District maintains a Length of Service Award Program (LOSAP) plan. The plan is considered to be a deferred compensation plan from volunteers and the contribution is not based on compensation. New Jersey Statutes set the contribution limits. The budgeted contributions for 2019 and 2018 were $140,000 and $125,000, respectively.

The Fire District has selected Lincoln Financial Company to administer its LOSAP. As of December 31, 2019, the Fire District's LOSAP had assets of $1,280,699.

Note 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 7. FUND BALANCE APPROPRIATED

General Fund - Of the $1,161,327 General Fund balance at December 31, 2019 $600,501 has been assigned and included as anticipated revenue for the year ending December 31, 2020; $560,778 is unassigned; and $48 has been committed as Reserve for Encumbrances.

Note 8: PENDING LITIGATION

As at the date of this report, the Fire District's legal counsel is unaware of any litigation pending.

Note 9: SUBSEQUENT EVENTS

Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the District's economically sensitive revenues (i.e. interest earnings and state and aid) might be negatively impacted. Meanwhile, the District's expenditures for firefighting services would be expected to increase sharply. None of these factors were taken into consideration in the development of the fiscal year 2020 adopted budget. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the District's financial position at this time.

As at the date of this report, the Fire District is unaware of any other events subsequent to the balance sheet that would have a material effect on the financial statements.

PART II - REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

	ORIGINAL 2019 BUDGET	MODIFIED 2019 BUDGET	2019 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Fund Balance Appropriated:				
Unreserved Fund Balance	$ 287,755.00	$ 287,755.00	$ 287,755.00	$
Total Fund Balance Anticipated	287,755.00	287,755.00	287,755.00	
Miscellaneous Anticipated Revenues:				
Other Revenue - Refund from Vendor		-	18,659.00	18,659.00
Interest on Investments and Deposits	1,500.00	1,500.00	9,296.63	7,796.63
Total Miscellaneous Anticipated Revenues	1,500.00	1,500.00	27,955.63	26,455.63
Operating Grant Revenue:				
Supplemental Fire Services Act (P.L. 1985, Ch. 295)	8,723.00	8,723.00	8,723.00	
Total Operating Grant Revenue	8,723.00	8,723.00	8,723.00	
Amount to be Raised by Taxation:				
District Taxes	1,700,007.00	1,700,007.00	1,700,007.00	
Total Amount to be Raised by Taxation	1,700,007.00	1,700,007.00	1,700,007.00	
Total Revenues	$ 1,997,985.00	$ 1,997,985.00	$ 2,024,440.63	$ 26,455.63
Expenditures:				
Operating Appropriations:				
Administration				
Salaries and Wages				
Commissioners	$ 36,420.00	$ 36,420.00	$ 36,420.00	$ -
Administrative Aid	59,600.00	58,462.85	51,801.26	6,661.59
Total Administration Salaries and Wages	96,020.00	94,882.85	88,221.26	6,661.59
Administration				
Other Expenses				
Fringe Benefits	177,000.00	177,425.18	131,829.69	45,595.49
Election	6,500.00	7,400.00	7,398.82	1.18
Office Expenses	30,000.00	30,113.56	15,151.34	14,962.22
Other Office Services	28,100.00	28,147.79	19,315.21	8,832.58
Professional Services	115,000.00	115,000.00	73,288.60	41,711.40
Awards Program	15,000.00	15,000.00	2,174.89	12,825.11
Total Administration Other Expenses	371,600.00	373,086.53	249,158.55	123,927.98
Costs of Operations and Maintenance				
Other Expenses				
Advertising	3,600.00	3,600.00	473.60	3,126.40
Insurance	125,000.00	125,000.00	109,574.91	15,425.09
Maintenance and Repairs	230,000.00	228,922.78	171,385.63	57,537.15
Rental Charges	180,046.00	180,046.00	180,046.00	-
Training and Education	73,000.00	73,000.00	49,534.98	23,465.02
Reimbursements for Expenses and Lossess	80,000.00	80,000.00	78,124.66	1,875.34

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

	ORIGINAL 2019 BUDGET	MODIFIED 2019 BUDGET	2019 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Operating Materials and Supplies	15,000.00	15,000.00	7,497.47	7,502.53
Fire Prevention	10,000.00	10,000.00	1,065.57	8,934.43
Apparatus Fuel	45,000.00	45,000.00	30,513.43	14,486.57
Office Improvements	30,000.00	30,000.00	29,168.00	832.00
Cellular Telephones	12,000.00	14,702.00	14,701.92	0.08
Welfare and Deceased	500.00	931.50	96.49	835.01
Hose Testing	7,000.00	7,000.00	6,840.85	159.15
Contracted Services	47,300.00	47,300.00	43,295.19	4,004.81
Rehabilitation and Safety	3,000.00	3,000.00	2,098.45	901.55
Firefighting Tools and Equipment	70,647.00	70,647.00	64,865.74	5,781.26
Station Gear	10,000.00	10,000.00	6,682.04	3,317.96
Tunout Gear	40,000.00	40,000.00	26,782.21	13,217.79
Communication Equipment	50,000.00	77,371.25	49,468.94	27,902.31
Gear washer	10,000.00	10,000.00	10,000.00	-
Supplemental Fire Services Program	8,273.00	8,273.00	7,755.05	517.95
Contingency	40,000.00	40,000.00	-	40,000.00
Total Costs of Operations and Maintenance Other Expenses	1,090,366.00	1,119,793.53	889,971.13	229,822.40
Total Operating Appropriations	1,557,986.00	1,587,762.91	1,227,350.94	360,411.97
Capital Appropriations:				
Capital Outlays (NJSA 40A:14-84) Reserve for Future Capital Outlays	300,000.00	300,000.00		300,000.00
Total Capital Outlays	300,000.00	300,000.00		300,000.00
Total Capital Appropriations	300,000.00	300,000.00		300,000.00
Length of Service Awards Program (LOSAP)	140,000.00	140,000.00	100,366.03	39,633.97
Total Expenditures	1,997,986.00	2,027,762.91	1,327,716.97	700,045.94
Budgetary Revenues Over Expenses	$ (1.00)	$ (29,777.91)	$ 696,723.66	$ 726,501.57

Reconciliation of Budgetary Basis to GAAP Reporting Basis:

Budgetary Revenues Over Expenses	$ 696,723.66
Adjustments to Budgetary Basis: Fund Balance Appropriated	(287,755.00)
Total Adjustments	(287,755.00)
Excess of Revenues Over Expenditures (Exhibit - B)	$ 408,968.66

PART III – OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 3
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:

Year Ended	Assessed Valuations	Total Tax Levy	Property Tax Rate Per $100 Assessment
December 31, 2019	$ 1,981,999,751	$ 1,700,007	$ 0.086
December 31, 2018	1,907,002,847	1,666,674	0.088
December 31, 2017	1,837,153,252	1,619,190	0.089

Committed/Assigned/Unassigned Fund Balance

The following is a tabulation of District Committed/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:

Year Ended	Committed/Assigned/ Unassigned General Fund Balance	Utilized Subsequent Budget
December 31, 2019	$ 861,279	$ 300,501
December 31, 2018	722,581	287,756
December 31, 2017	657,687	308,281

Year Ended	Restricted Capital Fund Balance	Utilized Subsequent Budget
December 31, 2019	$ 300,000	$ 300,000
December 31, 2018	-	None
December 31, 2017	-	None

Schedule - 3

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY

OFFICIALS IN OFFICE AND SURETY COVERAGE
AS AT DECEMBER 31, 2019

The following officials were in office at December 31, 2019:

Board of Fire Commissioners:	Title	Amount of Surety
Sherrod A. Middleton	Chairman	
Kenneth Reid	Vice Chairman	
Douglas Krushinski	Clerk	
Vivian Cottrell	Treasurer	$ 1,500,000
Enid Janet Natal	Deputy Clerk/Treasurer	

Surety Company:

American Alternative Insurance Corporation	
All Officials and Employees	$ 1,500,000

PART IV – OTHER INFORMATION

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 3
SOMERSET COUNTY, NEW JERSEY
YEAR ENDED DECEMBER 31, 2019

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Township of Franklin Fire District No. 3, Somerset County, New Jersey, for the year ended December 31, 2019 has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Township of Franklin Fire District No. 3, Somerset County, New Jersey.

The audit did not and could not determine the character of services rendered for which payment has been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

REPORTABLE CONDITIONS

Segregation of Duties

Conditions exist whereby the same person may maintain the bookkeeping and cash management function of the District.

This condition is the result of multiple tasks performed by the same individual within the District.

OTHER MATTERS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of 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 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 of $17,500.00 except by contract or agreement."

The Commissioners of the Township of Franklin Fire District No. 3 have the responsibility of determining whether the expenditures in any category will exceed $17,500.00 during the year. Where question arises as to whether any contract or agreement might result in violation of this statute, the District Counsel's opinion should be sought before a commitment is made.

Contracts and Agreements Required to
be Advertised for N.J.S.A. 40A:11-4 (Cont'd.)

The minutes indicate that bids were requested by public advertising for the following items tested: District Equipment

Purchases were also made through state approved vendors for various items available, which were permitted under the status.

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.

Examination of expenditures revealed no individual payments in excess of $17,500.00 "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.

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

Any interpretation as to possible violation of N.J.S.A. 40A:11 and N.J.A.C. 5:30-14 would be in the province of the General Counsel.

We suggest that the District review the amendments to the Local Public Contracts Law and determine the impact of the comprehensive amendments with regard to the District, including an analysis of the effect of requiring the position of a “Qualified Purchasing Agent” on a cost benefit basis or alternate approach.

Payment of Claims

Claims were examined on a test basis for the year under review and they were found to be in good order. Compliance to certification of availability of funds was reviewed and found to be good condition for items tested.

Condition of Records - Treasurer

The financial records maintained by the Treasurer were found to be in good condition. During 2019, a computerized Budget Revenue and Appropriation Ledger was maintained and was found to be in good condition, with only minor adjustments necessary to reflect audited amounts at year end.

Insurance Coverage

Insurance policies in force are on file at the Fire District office. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the District.

Compliance with New Jersey Administration Codes

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as "technical accounting directives", as codified in the New Jersey administration Code, as follows:

N.J.A.C. 5:30 – 5.2 - Encumbrance Accounting: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. Our examination indicated that the encumbrance system utilized by the District was operational to the extent necessary to assure effective budgetary control and accountability.

N.J.A.C. 5:30 – 5.6 - Fixed Asset Accounting: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. As noted in previous reports, the District is in partial compliance with this directive. Our examination indicated that the District has established a fixed asset inventory system and takes a physical inventory on an annual basis.

N.J.A.C. 5:30 – 5.7 - General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the General Fund. The District is in compliance with this directive.

Status of Prior Years' Findings

In accordance with government auditing standards, our procedures included a review of all prior year findings of which there are none reported.

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.

Very truly yours,

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies

Andrew G. Hodulik, CPA, RMA
No. 406