

**FRANKLIN TOWNSHIP
FIRE DISTRICT NO. 1
COUNTY OF HUNTERDON
December 31, 2021**



FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1

For the Year Ended December 31, 2021

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 6
Basic Financial Statements	
District-Wide Financial Statements	
Statements of Net Position	7
Statements of Activities and Changes in Net Position	8
Fund Financial Statements	
Balance Sheets - Governmental Funds	9
Reconciliation of Governmental Fund Position to the District-Wide Statements of Net Position	10
Statements of Revenue, Expenses, and Changes in Fund Balances - Governmental Funds	11
Reconciliation of Statements of Revenues, Expenditures, and Changes to the District-Wide Changes in Net Position	12
Notes to the Financial Statements	13 - 17
Required Supplementary Information	
Schedule of Budget vs. Actual Revenues and Expenses - General Fund	18 - 20
Schedule of Officials and Surety Bond	21
Independent Auditors' 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	22 - 23
Schedule of Findings and Responses	24



Certified Public Accountants, PC
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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of Franklin Township Fire District No. 1, in the County of Hunterdon, State of New Jersey, as of and for the years ended December 31, 2021 and 2020 and the related Notes to the Financial Statements, which collectively comprise Franklin Township Fire District No. 1's Basic Financial Statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Franklin Township Fire District No. 1, as of December 31, 2021 and December 31, 2020, and the respective changes in financial position thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting 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 the Franklin Township 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 opinions.

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 Township Fire District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 opinions. 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 and *Government 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 that are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess 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 the Franklin Township 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Franklin Township Fire District No. 1's 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Budget vs. Actual Revenues and Expenses - General Fund as identified in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of the financial reporting for placing the basic financial statements in an appropriated operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basis 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

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Officials and Surety bond. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of the Franklin Township Fire District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin Township Fire District No. 1's internal controls over financial reporting and compliance.


BKC, CPAs, PC

May 2, 2022
Flemington, New Jersey

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2021

This section of the Franklin Township Fire District No. 1 (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ending December 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

1. The District's total assets increased 4.24% and total liabilities decreased 22.37% over the course of this year's operations. The decrease in liabilities is a result of the payment for the lease.
2. During the year, the District's total revenues decreased by 31.80%. The decrease is due to the revenue from the sale of a fire truck for \$246,000 received in the prior year.
3. Expenses decreased by 14.08%. This is primarily due to decreases in insurance, turnout gear, SCBA equipment, and other miscellaneous equipment.
4. Net position increased by 10.26%. The increase is due to an overall decrease in expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The Comparative Statement of Net Position and the Comparative Statement of Activities and Changes in Net Position (on page 7 and 8) provide information about the activities of the District as a whole. Fund financial statements start on page 9. These statements tell how these services were financed. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The financial statements of the District as a whole begin on page 7. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities and Changes in Net Position report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes to them.

The District's net position, the difference between assets and liabilities, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Reporting the District's Most Significant Funds

Fund Financial Statements

The financial statements of the District's major funds begin on page 9. The fund financial statements provide detailed information about the most significant funds, not the District as a whole.

General Fund - Most of the District's basic services are reported in the general fund, which focuses on how money flows in and out of the funds and the balances left at year-end that are available for spending. The general fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. The general fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District as a Whole

The District's total net position increased \$108,657 or 10.26%, from \$1,059,477 to \$1,168,134. Details of the changes are reflected on page 8.

Original versus Final Budget

Page 18-20 reflects the variances between the original and final budgeted amounts.

Final Budget versus Actual Results

As reflected on pages 18-20 the District operated within budgetary constraints. Actual revenues were less than the final budget by \$841 and actual expenses were less than the final budget by \$47,539. Revenues decreased due to a large receipt from the sale of a capital asset received in the prior year. Expenses were less than budgeted primarily due to a decrease in the costs of the items budgeted for turnout gear, SCBA equipment, and other miscellaneous equipment.

Capital Assets

At December 31, 2021, the District had \$1,016,722 at cost in total capital assets.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Condensed Comparative Information

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Assets			
Current and other assets	\$ 800,352	\$ 772,620	\$ 27,732
Capital assets	553,761	526,418	27,343
Total assets	<u>\$ 1,354,113</u>	<u>\$ 1,299,038</u>	<u>\$ 55,075</u>
Liabilities	<u>\$ 185,979</u>	<u>\$ 239,561</u>	<u>\$ (53,582)</u>
Net position			
Unreserved	\$ 408,569	\$ 361,871	\$ 46,698
Investment in capital assets	387,372	307,176	80,196
Restricted	372,193	390,430	(18,237)
Total net position	<u>\$ 1,168,134</u>	<u>\$ 1,059,477</u>	<u>\$ 108,657</u>
Change in net position			
Revenue	\$ 499,159	\$ 731,857	\$ (232,698)
Expenditures	390,502	454,489	(63,987)
Change in net position	<u>\$ 108,657</u>	<u>\$ 277,368</u>	<u>\$ (168,711)</u>

Economic Factors and Next Year's Budget and Rates

The District's governing body considers many factors when setting the budget and tax rates including the economy, the rate of inflation and planned future capital projects. The 2022 tax rate will be \$0.078 per \$100 of assessed valuation.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. This discussion and analysis is based upon information that was available as of May 2, 2022.

If you have questions about this report or need additional financial information, contact the District office located at 67 Quakertown Road, Pittstown, NJ 08867.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Statements of Net Position
December 31,

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 423,630	\$ 283,996
Accounts receivable	-	96,000
Prepaid expenses	4,529	2,194
Total current assets	428,159	382,190
Restricted assets		
Cash and cash equivalents	372,193	390,430
Capital assets		
Capital assets	1,016,722	941,485
Less: accumulated depreciation	(462,961)	(415,067)
Net capital assets	553,761	526,418
Total assets	\$ 1,354,113	\$ 1,299,038
Liabilities		
Current liabilities		
Accounts payable	\$ 19,590	\$ 20,319
Long-term liabilities		
Lease payable - current	54,137	52,853
Lease payable - non-current	112,252	166,389
Total liabilities	185,979	239,561
Net position		
Net investment in capital assets	387,372	307,176
Restricted		
Capital acquisitions	372,193	390,430
Unrestricted	408,569	361,871
Total net position	1,168,134	1,059,477
Total liabilities and net position	\$ 1,354,113	\$ 1,299,038

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Statements of Activities and Changes in Net Position
For the Years Ended December 31,

	2021	2020
Revenues		
General revenues		
Local tax levy	\$ 392,000	\$ 377,000
Interest on investments	454	989
Other income	4,007	1,759
Total general revenues	396,461	379,748
Program revenues		
Municipal assistance		
Alexandria Township	52,790	51,047
Union Township	31,572	30,953
Uniform Fire Safety Act	12,100	15,190
State of New Jersey-LEA Rebate	5,840	7,483
Incident cost recovery fees	396	1,436
Total program revenues	102,698	106,109
Other revenue		
Sale of capital assets	-	246,000
Total revenues	499,159	731,857
Expenses		
Operating appropriations		
Administration	60,273	69,783
Cost of operations and maintenance	277,008	284,167
Depreciation expense	47,894	93,958
Interest on capital lease	5,327	6,581
Total expenses	390,502	454,489
Change in net position	108,657	277,368
Net position - beginning of year	1,059,477	782,109
Net position - end of year	\$ 1,168,134	\$ 1,059,477

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Balance Sheets - Governmental Funds
December 31,

	General Fund	
	2021	2020
Assets		
Cash and cash equivalents	\$ 423,630	\$ 283,996
Accounts receivable	-	96,000
Prepaid expenses	4,529	2,194
Restricted cash and cash equivalents	372,193	390,430
Total assets	\$ 800,352	\$ 772,620
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 19,590	\$ 20,319
Fund balances		
Committed fund balance		
Capital reserve	372,193	390,430
Unassigned fund balance	408,569	361,871
Total fund balances	780,762	752,301
Total liabilities and fund balances	\$ 800,352	\$ 772,620

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Reconciliation of Governmental Fund Position to the
District-Wide Statements of Net Position
For the Years Ended December 31,

	2021	2020
Amounts reported in the governmental activities in the Statement of Net Position (page 9) are different because:		
District-wide, government fund, net position	\$ 780,762	\$ 752,301
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$1,016,722 and the accumulated depreciation is \$462,961 for 2021. The cost of the assets are \$941,485 and the accumulated depreciation is \$415,067 for 2020.	553,761	526,418
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(166,389)	(219,242)
Total net position	\$ 1,168,134	\$ 1,059,477

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Statements of Revenue, Expenses, and
Changes in Fund Balances - Governmental Funds
For the Years Ended December 31,

	General Fund	
	2021	2020
Revenues		
Local sources		
Local tax levy	\$ 392,000	\$ 377,000
Municipal assistance		
Alexandria Township	52,790	51,047
Union Township	31,572	30,953
Interest on investments	454	989
Uniform Fire Safety Act	12,100	15,190
State of New Jersey-LEA Rebate	5,840	7,483
Incident cost recovery fees	396	1,436
Other income	4,007	1,759
Sale of capital assets	-	246,000
Total revenues	<u>499,159</u>	<u>731,857</u>
Expenses		
Operating appropriations		
Administration	60,273	69,783
Cost of operations and maintenance	277,008	284,167
Acquisition of capital assets	75,237	-
Debt service		
Principal	52,853	51,599
Interest	5,327	6,581
Total expenses	<u>470,698</u>	<u>412,130</u>
Net change in fund balance	28,461	319,727
Fund balances - beginning of year	<u>752,301</u>	<u>432,574</u>
Fund balances - end of year	<u>\$ 780,762</u>	<u>\$ 752,301</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Reconciliation of Statements of Revenues, Expenditures, and Changes
to the District-Wide Changes of Net Position
For the Years Ended December 31,

	2021	2020
Total net changes in fund balances - governmental fund	\$ 28,461	\$ 319,727
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital outlays in the period:</p>		
Capital outlays	75,237	-
Depreciation expense	(47,894)	(93,958)
<p>Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and are not reported in the Statement of Activities.</p>		
Lease principal payments	52,853	51,599
Change in net position of governmental activities	\$ 108,657	\$ 277,368

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

Nature of activities

The Franklin Township Fire District No. 1 (the District) is a political subdivision of Franklin Township, Hunterdon County, New Jersey. A five-member Board governs the District. Members are elected annually on a rotating basis to three-year terms. The District provides fire protection, prevention, safety and education services to the Township of Franklin and parts of the adjacent communities of Alexandria and Union Townships.

Financial reporting/principles of accounting

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to Governmental Units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The implementation of GASB has created additional statements, schedules, reports and notes disclosures as follows:

- Financial statements are prepared using accrual accounting methods, including recording of depreciation on capital assets and recording those assets net of accumulated depreciation.
- The basic financial statements include District-wide Statements and Fund Financial Statements, as explained in the following note disclosures:

District-wide Statements: The Statement of Net Position and the Statement of Activities display information about the District. The District activities are financed through taxes and funds from adjoining municipalities. The government-wide financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the cash flows take place.

Fund Financial Statements: The fund financial statements provide information about the District's activities, which are reported in the general fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. Expenditures are recorded when the related fund liabilities are incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

General Fund: This is the District's operating fund. It accounts for all financial resources of the District except those required to be accounted for in other funds.

Budget and budgetary accounting

Annual budgets are prepared each year for the operations of the District. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, and the State of New Jersey. The budgets are then voted upon by the public. Budget amendments are passed on an as-needed basis, and a balanced budget is required. Appropriations lapse at the end of the year, unless encumbered.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost. It is the District's policy to capitalize assets with costs in excess of \$5,000 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

General purpose vehicles	7 - 20 years
Firefighting equipment	5 - 20 years

Income taxes

The District, under existing statute, is not required to file tax returns. Accordingly, no provision for income taxes has been made in the financial statements.

Restricted assets

Certain assets of are classified as restricted assets because their use is restricted for use of capital acquisitions.

Note 2 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, cash and certificates of deposit in banks. As of December 31, 2021 and 2020, the District had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the Laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

New Jersey Governmental Units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Governmental Units.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 2 - Deposits and cash equivalents and investments (continued)

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 saving banks the deposits of which are federally insured.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the Authority relative to the happening of a future condition.

As of December 31, 2021 and 2020, the District's bank balances were exposed to custodial credit risk as follows:

	2021	2020
Deposits insured by the FDIC	\$ 250,000	\$ 250,000
Deposits insured by the GUDPA	551,206	436,542
Total bank balances	\$ 801,206	\$ 686,542

The District's carrying (Statements of Net Position) amounts were \$795,823 and \$674,426 for December 31, 2021 and 2020, respectively.

Note 3 - Capital assets

A summary of changes in capital assets and accumulated depreciation is as follows:

December 31, 2021	Beginning Balance	Additions	Disposals	Ending Balance
Equipment				
General purpose vehicles	\$ 115,841	\$ -	\$ -	\$ 115,841
Firefighting equipment	825,644	75,237	-	900,881
Total capital assets	941,485	75,237	-	1,016,722
Accumulated depreciation	(415,067)	(47,894)	-	(462,961)
Net capital assets	\$ 526,418	\$ 27,343	\$ -	\$ 553,761

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 3 - Capital assets (continued)

<u>December 31, 2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Equipment				
General purpose vehicles	\$ 115,841	\$ -	\$ -	\$ 115,841
Firefighting equipment	1,325,594	-	499,950	825,644
Total capital assets	1,441,435	-	499,950	941,485
Accumulated depreciation	(821,059)	(93,958)	(499,950)	(415,067)
Net capital assets	<u>\$ 620,376</u>	<u>\$ (93,958)</u>	<u>\$ -</u>	<u>\$ 526,418</u>

Note 4 - Long-term debt

At December 31, 2021 and December 31, 2020, long-term debt consisted of the following:

	<u>2021</u>	<u>2020</u>
On November 14, 2017, the District entered into a lease-purchase agreement bearing interest at 2.43% with Municipal Asset Management, Inc. to finance the purchase of a fire apparatus for \$538,655 less a down-payment of \$170,000 due in seven annual installments of \$50,000 to \$58,180, including interest, beginning January 5, 2018, through February 29, 2024. The lease is secured by the fire apparatus.	\$ 166,389	\$ 219,242
Less: current maturities of long-term debt	54,137	52,853
Long-term debt, net of current maturities	<u>\$ 112,252</u>	<u>\$ 166,389</u>

The debt service requirements as of December 31, 2021, including interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 54,137	\$ 4,043	\$ 58,180
2023	55,452	2,728	58,180
2024	56,800	1,380	58,180
	<u>\$ 166,389</u>	<u>\$ 8,151</u>	<u>\$ 174,540</u>

Note 5 - Levied taxes

The total tax levied by the Township of Franklin to fund the operations of the District for the years ended December 31, 2021 and December 31, 2020 was \$392,000 and \$377,000, respectively. The tax rate per \$100 of assessed valuation for 2021 was \$0.073, based on the assessed valuation of \$544,063,900. The tax rate per \$100 of assessed valuation for 2020 was \$0.070, based on the assessed valuation of \$545,519,400.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 6 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 - Rental charges

The District contracts with the volunteer fire company on an annual basis for fire protection services. The total charges for the year ended December 31, 2021 and December 31, 2020 were \$115,000 and \$40,000, respectively.

Note 8 - Economic dependency

The District receives substantial support from adjoining municipalities from municipal assistance in addition to the annual tax levy. A significant reduction in the level of support, if this were to occur, may have an effect of the District's operations.

Note 9 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the year-end date of this report and which are expected to have a material impact on the District's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*. This statement, which is effective for reporting periods beginning after June 15, 2021, is not expected to have a material impact on the District's financial reporting.

Note 10 - Risks and uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (The "COVID-19 outbreak") and the risks to the international community as a virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations.

Note 11 - Subsequent events

The District's management has determined that no material events or transactions occurred subsequent to December 31, 2021 and through May 2, 2022, the date of the District's financial statement issuance, which require additional disclosure in the District's financial statements.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Budget vs. Actual Revenues and Expenses - General Fund
For the Years Ended December 31,

	2021			2020			Variance Final Budget	Actual	Variance Final Budget
	Unaudited		Final Budget	Unaudited		Final Budget			
	Original Budget	Actual		Original Budget	Actual				
Revenues									
Operating revenues									
Local tax levy	\$ 392,000	\$ 392,000	\$ -	\$ 377,000	\$ 377,000	\$ -	\$ 377,000	\$ -	
Adjoining municipalities assistance	85,000	84,362	(638)	82,000	82,000	-	82,000	-	
Interest on investments	1,500	454	(1,046)	2,000	2,000	989	989	(1,011)	
Uniform Fire Safety Act	21,500	12,100	(9,400)	21,000	21,000	15,190	15,190	(5,810)	
State of New Jersey-LEA Rebate	-	5,840	5,840	-	-	7,483	7,483		
Incident cost recovery fees	-	396	396	-	-	1,436	1,436		
Other income	-	-	-	-	-	-	246,000	246,000	
Miscellaneous	-	4,007	4,007	-	-	1,759	1,759		
Total operating revenues	500,000	499,159	(841)	482,000	482,000	731,857	731,857	249,857	
Total revenues	\$ 500,000	\$ 499,159	\$ (841)	\$ 482,000	\$ 482,000	\$ 731,857	\$ 731,857	\$ 249,857	
Expenditures									
Administration									
Salaries	\$ 36,000	\$ 34,881	\$ 1,119	\$ 47,000	\$ 41,000	\$ 41,761	\$ 41,761	\$ (761)	
Fringe benefits	3,500	8,056	444	8,500	10,500	9,175	9,175	1,325	
Other expenses									
Election expense	500	-	500	500	500	-	-	500	
Professional services	15,000	10,997	4,003	15,000	15,000	11,320	11,320	3,680	
Office expense	8,000	6,339	2,161	8,000	8,000	7,527	7,527	473	
Total administration	63,000	60,273	8,227	79,000	75,000	69,783	69,783	5,217	

See independent auditors' report.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Budget vs. Actual Revenues and Expenses - General Fund (continued)
For the Years Ended December 31,

	2021			2020			Variance Final Budget	Variance Final Budget
	Unaudited		Actual	Unaudited		Actual		
	Original Budget	Final Budget		Original Budget	Final Budget			
Expenditures (continued)								
Operations and maintenance								
Salaries - Firefighter/EMT	\$ -	\$ 6,000	\$ 3,101	\$ 2,899	\$ 75,000	\$ 84,000	\$ 80,881	\$ 3,119
Other expenses								
Training and education	2,000	2,000	1,000	1,000	2,000	2,000	615	1,385
Advertising, public awareness	3,200	3,200	1,882	1,318	3,170	3,170	1,354	1,816
Membership dues and subscriptions	720	720	470	250	750	750	585	165
Fire hydrant rentals	900	900	455	445	900	900	606	294
Fire protection contract	115,000	115,000	115,000	-	40,000	40,000	40,000	-
Fire prevention	1,000	1,000	-	1,000	1,000	1,000	7	993
Insurance	80,000	68,500	69,108	(608)	78,000	76,000	73,034	2,966
Gasoline, fuels and oils	14,000	14,000	9,931	4,069	14,000	8,000	5,625	2,375
Maintenance and repairs	40,000	40,000	39,014	986	30,000	33,000	32,133	867
Utilities	22,000	22,000	19,873	2,127	22,000	22,000	16,711	5,289
Buildings and grounds maintenance	3,000	3,000	2,565	435	3,000	3,000	1,316	1,684
Operational materials and supplies	10,000	8,000	4,488	3,512	13,000	9,500	5,147	4,353
Turnout gear, SCBA equipment, and other miscellaneous small equipment	30,000	32,000	10,121	21,879	30,000	33,500	26,153	7,347
Total operations and maintenance	321,820	316,320	277,008	39,312	312,820	316,820	284,167	32,653

See independent auditors' report.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Budget vs. Actual Revenues and Expenses - General Fund (continued)
For the Years Ended December 31,

	2021			2020			Variance Final Budget	Variance Final Budget
	Unaudited		Actual	Unaudited		Actual		
	Original Budget	Final Budget		Original Budget	Final Budget			
Expenditures (continued)								
Debt service								
Capital lease								
Principal	\$ 52,853	\$ 52,853	\$ 52,853	\$ 51,599	\$ 51,599	\$ 51,599	\$ -	
Interest	5,327	5,327	5,327	6,581	6,581	6,581	-	
Total debt service	58,180	58,180	58,180	58,180	58,180	58,180	-	
Reserves and capital outlay								
Capital reserve	57,000	57,000	57,000	32,000	32,000	32,000	-	
Total reserves and capital outlay	57,000	57,000	57,000	32,000	32,000	32,000	-	
Total expenditures	\$ 500,000	\$ 500,000	\$ 452,461	\$ 482,000	\$ 482,000	\$ 444,130	\$ 37,870	

See independent auditors' report.

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Officials and Surety Bond
(Unaudited)
December 31, 2021

Board of Fire Commissioners

<u>Members</u>	<u>Title</u>	<u>Term Ends</u>	<u>Amount of Surety Bond</u>
Charles Patkochis	President	2023	\$500,000 total coverage per loss
Peter Enea III	Secretary	2021	
Edward Kolibas	Vice President	2022	
George Reichert	Treasurer	2021	
Heikki Laine	Assistant Secretary	2022	

See independent auditors' report.



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Franklin Township Fire District No. 1, as of and for the year ended December 31, 2021 and 2020, and the related Notes to the Financial Statements, which collectively comprise Franklin Township Fire District No. 1's basic financial statements, and have issued our report thereon dated May 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Franklin Township Fire District No. 1's internal control over financial reporting (internal control) as a basis for designing 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 Franklin Township Fire District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin Township Fire District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin Township Fire District No. 1'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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Franklin Township Fire District No. 1's response to findings identified in our audit and is described in the accompanying Schedule of Findings and Responses. Franklin Township Fire District No. 1's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 compliance. The report is an integral part of any 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.


BKC, CPAs, PC

May 2, 2022
Flemington, New Jersey

FRANKLIN TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Findings and Responses

General Comments and Recommendations

Recommendations

Finding 2021-01

Criteria

Vendor certification signatures, political disclosure forms, and business registration certificate forms should be obtained for all applicable vendors.

Condition

Vouchers were processed for payment without required vendor certification signatures and without obtaining political disclosure forms, and business registration certificate forms.

Context

As part of our audit procedures, we noted that vendor certification signatures, political disclosure forms, and business registration certificate forms were not obtained for all applicable vendors.

Cause

Unknown

Effect

Vouchers were processed for payment without required vendor certification signatures and without obtaining political disclosure forms, and business registration certificate forms.

Recommendation

The District should ensure all state required vendor certification signatures, political disclosure forms, and business registration certificate forms are received in a timely manner for all applicable vendors.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Status of Prior Year's Audit Findings/Recommendations

There were no prior year recommendations.

We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the District officials and employees during the course of the examination.

Respectfully submitted,

BKC, CPAs, PC

BKC, CPAs, PC