

SUMMARY OR SYNOPSIS OF AUDIT REPORT OF THE  
TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY  
FOR THE YEAR ENDED DECEMBER 31, 2013 AS  
REQUIRED BY N.J.S.A. 40A:5A-16

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION  
DECEMBER 31, 2013

<u>NET POSITION</u>	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
Cash and Cash Equivalents	\$ <u>7,487.25</u>	\$ _____	\$ <u>7,487.25</u>
Total Assets	\$ <u><u>7,487.25</u></u>	\$ <u><u>                    </u></u>	\$ <u><u>7,487.25</u></u>
 <u>FUND BALANCE/NET POSITION</u>			
Fund Balances:			
Unreserved			
Designated for Subsequent Year's			
Expenditures	1,500.00	(1,500.00)	
Undesignated	<u>5,987.25</u>	<u>(5,987.25)</u>	_____
Total Fund Balances	\$ <u><u>7,487.25</u></u>	\$ <u><u>(7,487.25)</u></u>	\$ <u><u>                    </u></u>
Net Position			
Unrestricted		<u>7,487.25</u>	<u>7,487.25</u>
Total Net Position		\$ <u><u>7,487.25</u></u>	\$ <u><u>7,487.25</u></u>

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
Revenues:			
District Taxes	\$ 37,413.00	\$	\$ 37,413.00
Interest on Investments on Deposits	7.67		7.67
Supplemental Fire Services Act Grant	168.00	_____	168.00
Total Revenues	37,588.67	_____	37,588.67
Expenditures:			
Operating Appropriations	36,426.10	_____	36,426.10
Total Expenditures	36,426.10	_____	36,426.10
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,162.57	(1,162.57)	
Change in Net Position		1,162.57	1,162.57
Fund Balances/Net Position, January 1	6,324.68	_____	6,324.68
Fund Balances/Net Position, December 31	\$ 7,487.25	\$ _____	\$ 7,487.25

RECOMMENDATIONS

None

\* \* \* \* \*

The above summary or synopsis was prepared from the Report of Audit of the Township of Franklin Fire District No. 4, Somerset County, New Jersey, for the calendar year 2013. The financial data included in the summary or synopsis is presented in the form prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey. Readers are cautioned that the summary or synopsis was prepared solely for the purpose of compliance with the public disclosure provisions of N.J.S.A. 40A: 5A-16 and, accordingly, the summary or synopsis should not be relied upon for any other purpose. The Report of Audit, submitted by Hodulik & Morrison, P.A., Certified Public Accountants, Registered Municipal Accountants, is on file at the Fire District No. 4 Clerk's office and may be inspected by any interested person.

---

Clerk

**TOWNSHIP OF FRANKLIN  
FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY**

**REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**TOWNSHIP OF FRANKLIN  
FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
Independent Auditor's 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
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	6
Management's Discussion and Analysis	7 - 9
<b><u>FINANCIAL STATEMENTS</u></b>	10
Exh. A - Governmental Funds Balance Sheet/Statement of Net Position - December 31, 2013	11
Exh. B - Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities for the Year Ended December 31, 2013	12
Notes to Financial Statements	13 - 21
<b><u>SUPPLEMENTARY SCHEDULES AND DATA</u></b>	22
Sch. 1 - Supplemental Schedule of Revenues and Expenses Compared to Budget - Budgetary Basis - for the Year Ended December 31, 2013	23 - 24
Sch. 2 - Supplemental Schedule of Statistical Information	25
Sch. 3 - Roster of Officials	26
General Comments	27 - 29
Recommendations	30
Acknowledgment	30

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners of the  
Township of Franklin Fire District No. 4  
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. 4, Somerset County, New Jersey, (the "District"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township of Franklin Fire District No. 4'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.

**Auditor's 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Township of Franklin Fire District No. 4, Somerset County, New Jersey, as of December 31, 2013, 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.

### 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 inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Franklin Fire District No. 4's basic financial statements as a whole. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of Franklin Fire District No. 4, Somerset County, New Jersey.

The Supplemental Data and Schedules are the responsibility of management and were derived directly from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

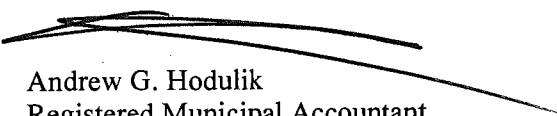
The supplemental data section has not been subjected to the audit procedures applied on the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2014 on our consideration of the Township of Franklin Fire District No. 4'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. 4's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants



Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
June 10, 2014



**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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 of the  
Township of Franklin Fire District No. 4  
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 of the Township of Franklin Fire District No. 4 (the "District") as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated June 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Franklin Fire District No. 4'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. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Franklin Fire District No. 4's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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. 4'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. 4 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.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

Highland Park, New Jersey  
June 10, 2014

REQUIRED SUPPLEMENTARY INFORMATION

**FRANKLIN TOWNSHIP FIRE DISTRICT #4  
SOMERSET COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2013**

(unaudited)

The Franklin Township Fire District #4 (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, 2013. 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.

**FINANCIAL HIGHLIGHTS**

Cash and cash equivalents increased by \$1,162 (18.4%) to \$7,487 in 2013 from \$6,325 in 2012.

Revenues increased by \$293 (0.8%) to \$37,589 in 2013 from \$37,296 in 2012.

Expenses decreased by \$409 (1.1%) to \$36,426 in 2013 from \$36,835 in 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The District is a special-purpose government that engages in a single governmental activity program, and has elected to combine the government-wide and fund financial statements. The basic financial statements include the two kinds of combined statements that present different views of the District:

- **Government-wide financial statements** provide both short-term and long-term information about the District's overall financial status. The government-wide financial statements are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private sector business.

- **Fund financial statements** that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. A fund is a group or related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the District can be categorized into one category – governmental funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike governmental-wide financial statements, governmental fund financial statements focus on current resources uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The *Statement of Net Position and Governmental Funds Balance Sheet* presents the District's fund financial statements adjusted to the government-wide financial statements.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the District's fund financial statements adjusted to the government-wide financial statements.

**Notes to Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements can be found as listed in the table of contents.

## FINANCIAL ANALYSIS OF THE DISTRICT

**Financial Position.** The following table summarizes the change in financial position between the years ended December 31, 2013 and December 31, 2012:

	<u>2013</u>	<u>2012</u>	<u>% Increase/ (Decrease)</u>
Cash and Equiv.	\$7,487.25	\$6,324.68	18.38%
Total assets	<u>7,487.25</u>	<u>6,324.68</u>	18.38%
Net Position	<u>\$7,487.25</u>	<u>\$6,324.68</u>	18.38%

**Results of Operations.** The following table summarizes the changes in results of operations between the years 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>% Increase/ (Decrease)</u>
Revenues	\$37,588.67	\$37,295.67	0.79%
Expenditures	<u>(36,426.10)</u>	<u>(36,835.18)</u>	(1.11)%
Increase/(Decrease) in Net Position	<u>\$ 1,162.57</u>	<u>\$ 460.49</u>	152.46%

Revenues consist mainly of district taxes. Expenditures consist mainly of contracted services with South Brunswick Fire District No. 3.

#### **DEBT ADMINISTRATION**

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 Commissioner, Franklin Township Fire District #4, P.O. Box 126, Kingston, New Jersey, 08528.

FINANCIAL STATEMENTS

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION  
DECEMBER 31, 2013

<u>NET POSITION</u>	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
Cash and Cash Equivalents	\$ <u>7,487.25</u>	\$ _____	\$ <u>7,487.25</u>
Total Net Position	\$ <u>7,487.25</u>	\$ _____	\$ <u>7,487.25</u>
 <u>FUND BALANCE/NET POSITION</u>			
Fund Balances:			
Unreserved			
Designated for Subsequent Year's Expenditures	1,500.00	(1,500.00)	
Undesignated	<u>5,987.25</u>	<u>(5,987.25)</u>	_____
Total Fund Balances	\$ <u>7,487.25</u>	\$ <u>(7,487.25)</u>	\$ _____
 Net Position			
Unrestricted		<u>7,487.25</u>	<u>7,487.25</u>
Total Net Position		\$ <u>7,487.25</u>	\$ <u>7,487.25</u>

Note: See the Notes to Financial Statements



TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
Revenues:			
District Taxes	\$ 37,413.00	\$	\$ 37,413.00
Interest on Investments on Deposits	7.67		7.67
Supplemental Fire Services Act Grant	168.00		168.00
	<u>37,588.67</u>		<u>37,588.67</u>
Total Revenues			
Expenditures:			
Operating Appropriations	<u>36,426.10</u>		<u>36,426.10</u>
Total Expenditures	<u>36,426.10</u>		<u>36,426.10</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,162.57	(1,162.57)	
Change in Net Position		1,162.57	1,162.57
Fund Balances/Net Position, January 1	<u>6,324.68</u>		<u>6,324.68</u>
Fund Balances/Net Position, December 31	<u>\$ 7,487.25</u>	<u>\$</u>	<u>\$ 7,487.25</u>

Note: See the Notes to Financial Statements

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District was organized under the laws of the State of New Jersey relating to Fire Districts and established pursuant to N.J.S.A. 40A: 14-70, et seq. The District receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since fire commissioners are elected by the public and have decision-making capabilities within the District to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Township of Franklin Fire District No. 4 has no fire company within its jurisdiction. The District contracts with the Township of South Brunswick Fire District No. 3 for fire fighting services. In addition, there are no component units, as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

B. General

The financial statements of the Township of Franklin Fire District No. 4 have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The accounting policies of the Township of Franklin Fire District No. 4 ("the District") conform to the accounting principles applicable to special districts, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"). Under GASB 34 it has been determined that special districts are separate entities for purposes of financial reporting. Accordingly, the Township of Franklin Fire District No. 4 is not considered a component unit of any other governmental unit for financial reporting purposes.

C. GASB Statement No. 34

The Fire District adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments during the fiscal year ended December 31, 2004. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis section, a Balance Sheet and a Statement of Revenues, Expenses and Change in Net Assets. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

## NOTES TO FINANCIAL STATEMENTS

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

#### GASB Statement No. 63

This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

#### D. Basis of Presentation - Fund Accounting

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

##### Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

#### E. 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/statement of net position. 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### F. 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.

#### G. 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.

#### H. 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.

#### I. Interfund Receivables/Payables

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

#### J. Inventories of Supplies

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

#### 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.

NOTES TO FINANCIAL STATEMENTS

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

L. 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.

M. 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, reduced by outstanding balance of any long-term used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N. Reconciliation of Adjustments

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

Statement of Net Position and Governmental Fund Balance Sheet:

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Fund Balance			
Assigned	1,500.00	(1,500.00)	0.00
Unassigned	5,987.25	(5,987.25)	0.00
Net Position			
Unrestricted	\$0.00	\$7,487.25	\$7,487.25

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

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Excess/(Deficit) of Revenues over Expenditures	\$1,162.57	\$(1,162.57)	\$0.00
Change in Position	\$0.00	\$1,162.57	\$1,162.57

## NOTES TO FINANCIAL STATEMENTS

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

#### O. Recent Accounting Standards

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Statement No. 65 is effective for financial statements for periods beginning after December 15, 2012.

GASB issued Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62" in March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Statement No. 66 is effective for financial statements for periods beginning after December 15, 2012.

GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25" in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

## NOTES TO FINANCIAL STATEMENTS

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

#### O. Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations" in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" in April 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

### 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 to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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.

NOTES TO FINANCIAL STATEMENTS

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

Deposits (Cont'd.)

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.

As of December 31, 2013 and 2012, cash and cash equivalents and investments of the District consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash (Demand/Money Market Accounts)	\$7,487.25	\$6,324.68

Based upon GASB criteria, the District considers cash in banks as cash and cash equivalents. At year-end, the carrying amount of the District's deposits was \$7,487.25 and the bank balance was \$7,487.25. Of the bank balance, \$7,487.25 was covered by Federal Depository Insurance.

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. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2013, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the District's bank balance was considered exposed to custodial risk.

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;



NOTES TO FINANCIAL STATEMENTS

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

Investments (Cont'd.)

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.

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the Government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fire District had no investments at December 31, 2013.

Note 3: CAPITAL ASSETS

The Fire District has no Capital Assets at December 31, 2013.

Note 4: FUND BALANCES

Of the \$7,487.25 fund balance at December 31, 2013, \$1,500.00 has been appropriated and included as anticipated revenue for the year ending December 31, 2014 and \$5,987.25 is unassigned.

Of the \$6,324.68 fund balance at December 31, 2012, \$1,500.00 has been appropriated and included as anticipated revenue for the year ending December 31, 2013 and \$4,824.68 is unassigned.

Note 5: LONG TERM/ SHORT TERM OBLIGATIONS

The Fire District did not authorize or issue any long-term or short-term obligations during the year ended December 31, 2013.

## NOTES TO FINANCIAL STATEMENTS

### Note 6: PENSION PLAN

The Fire District reported no employees for the fiscal year ended December 31, 2013.

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

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

### Note 7: COMPENSATED ABSENCES

The District has not adopted a compensated absence policy. The District had no employees for the year ended December 31, 2013, and accordingly no expenditures or accruals have been made.

### Note 8: COMMITMENTS AND CONTINGENCIES

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

### Note 9: PENDING LITIGATION

As at the date of this report, the Fire District is unaware of any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

SUPPLEMENTARY SCHEDULES AND DATA

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
(BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013 BUDGET</u>	<u>2013 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Fund Balance Appropriated:			
Unreserved Fund Balance	\$ <u>1,500.00</u>	\$ <u>1,500.00</u>	\$ <u>          </u>
Total Fund Balance Anticipated	<u>1,500.00</u>	<u>1,500.00</u>	<u>          </u>
Miscellaneous Anticipated Revenues:			
Interest on Investments and Deposits	<u>50.00</u>	<u>7.67</u>	<u>(42.33)</u>
Total Miscellaneous Anticipated Revenues	<u>50.00</u>	<u>7.67</u>	<u>(42.33)</u>
Operating Grant Revenue:			
Supplemental Fire Services Act (P.L. 1985, Ch. 295)	<u>100.00</u>	<u>168.00</u>	<u>68.00</u>
Total Operating Grant Revenue	<u>100.00</u>	<u>168.00</u>	<u>68.00</u>
Amount to be Raised by Taxation:			
District Taxes	<u>37,413.00</u>	<u>37,413.00</u>	<u>          </u>
Total Amount to be Raised by Taxation	<u>37,413.00</u>	<u>37,413.00</u>	<u>          </u>
 Total Revenues	 <u>39,063.00</u>	 <u>39,088.67</u>	 <u>25.67</u>
Expenditures:			
Operating Appropriations:			
Administration			
Salaries and Wages			
Commissioners	<u>1,500.00</u>	<u>900.00</u>	<u>600.00</u>
Total Administration Salaries and Wages	<u>1,500.00</u>	<u>900.00</u>	<u>600.00</u>

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
(BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u> <u>BUDGET</u>	<u>2013</u> <u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Administration			
Other Expenses			
Elections	\$ 500.00	\$ 353.50	\$ 146.50
Insurance	300.00	214.00	86.00
Membership Dues	1,000.00	300.00	700.00
Advertising	300.00		300.00
Professional Services	3,100.00	3,000.00	100.00
Office Expenses	150.00	129.60	20.40
Contingency	<u>663.00</u>		<u>663.00</u>
Total Administration Other Expenses	<u>6,013.00</u>	<u>3,997.10</u>	<u>2,015.90</u>
Costs of Operations and Maintenance			
Other Expenses			
Contracted Services Provided by Volunteer Fire Companies (NJSA 40A:14-68)	31,000.00	31,000.00	
Intralocal Contract	<u>550.00</u>	<u>529.00</u>	<u>21.00</u>
Total Costs of Operations and Maintenance Other Expenses	<u>31,550.00</u>	<u>31,529.00</u>	<u>21.00</u>
Total Operating Appropriations	<u>39,063.00</u>	<u>36,426.10</u>	<u>2,636.90</u>
Total Expenditures	<u>\$ 39,063.00</u>	<u>36,426.10</u>	<u>2,636.90</u>
Budgetary Revenues Over Expenses		<u>\$ 2,662.57</u>	<u>\$ 2,662.57</u>

Reconciliation of Budgetary Basis to GAAP Reporting Basis:

Budgetary Revenues Over Expenses	\$ 2,662.57
Adjustments to Budgetary Basis:	
Fund Balance Appropriated	<u>(1,500.00)</u>
Excess of Revenues Over Expenditures (Exhibit - B)	<u>\$ 1,162.57</u>

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF STATISTICAL INFORMATION

Property Tax Levies

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

<u>Year Ended</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rate Per \$100 Assessment</u>
December 31, 2013	\$71,661,134.00	\$37,413.00	\$0.052
December 31, 2012	68,162,232.00	36,679.00	\$0.054
December 31, 2011	68,122,533.00	36,526.00	0.054

Assigned/Unassigned Fund Balance

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

<u>Year Ended</u>	<u>Assigned/Unassigned General Fund Balance</u>	<u>Utilized Subsequent Budget</u>
December 31, 2013	\$7,487.25	\$1,500.00
December 31, 2012	6,324.68	1,500.00
December 31, 2011	5,864.19	1,500.00

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY

OFFICIALS IN OFFICE AND SURETY COVERAGE  
AS AT DECEMBER 31, 2013

The following officials were in office at December 31, 2013:

<u>Board of Fire Commissioners:</u>	<u>Title</u>	<u>Amount of</u> <u>Surety</u>
Meredith Rogers	Chairman/Clerk	
Christina Klam	Treasurer	\$ 15,000.00
Ernst de Haas	Commissioner	
 <u>Surety Company:</u>		
American Alternative Insurance Corporation		
All Officials and Employees		\$ 15,000.00

TOWNSHIP OF FRANKLIN FIRE DISTRICT NO. 4  
SOMERSET COUNTY, NEW JERSEY  
YEAR ENDED DECEMBER 31, 2013

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Township of Franklin Fire District No. 4, Somerset County, New Jersey, for the year ended December 31, 2013 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. 4, 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.

INTERNAL CONTROL MATTERS

Control Deficiencies:

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.

Canceled Checks

The current arrangement with the District's financial institution provides for photocopies of the canceled checks to be included in the monthly bank statements, rather than the individual checks. The manner in which the photocopies are presented does not allow for a review of the endorsements on the back of the respective checks.



## 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. 4 have the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 within the fiscal 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.

The minutes indicate that there were no bids requested for public advertising.

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.

On June 17, 2010, the Local Public Contracts Law was amended, effective for periods beginning on January 1, 2012. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount to \$26,000.00 under which a contract may be awarded without public advertising. Furthermore, if the District's Purchasing Agent is "Qualified", the Governing Body may increase the bid threshold to \$36,000.00. On May 5, 2012, in accordance LFN 2012-15, the law eliminated the threshold of \$26,000.00, which a contract may be awarded without public advertising to \$17,500.00 for an entity that does not have a Qualified Purchasing Agent.

### 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 no exceptions were noted for items tested.

### Condition of Records - Treasurer

The financial records maintained by the Treasurer were reviewed. During 2013, a manual Budget Revenue and Appropriation Ledger was maintained and was found to be suitable to utilize as a basis for financial statement preparation, 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 Code

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. The District does not maintain Governmental Fixed Assets.

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.



Andrew G. Hodulik, CPA, RMA  
No. 406