

**COMMERCIAL TOWNSHIP**  
**FIRE DISTRICT NO. 1**  
**COUNTY OF CUMBERLAND**  
**REPORT OF AUDIT**  
**DECEMBER 31, 2019**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**

**COUNTY OF CUMBERLAND**

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**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**

**COUNTY OF CUMBERLAND**

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**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**

**OFFICIALS IN OFFICE AND SURETY BONDS**

The following officials were in office during 2019.

<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>AMOUNT OF SURETY BOND</u></b>
<b><u>Board of Fire Commissioners</u></b>		
Christy Rhubart	Chairman	
John Hoffman	Vice Chairman	
Michael Rodgers	Treasurer	\$10,000
Jessaca Hoffman	Secretary	
Bob Hoffman, Jr.	Commissioner	

## **FINANCIAL SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

President and Members of the  
Commercial Township Fire District No. 1  
County of Cumberland  
Port Norris, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Commercial Township Fire District No. 1, County of Cumberland, State of New Jersey as of and for the year ended December 31, 2019, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The Fire District's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinions.

### **Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Commercial Township Fire District No. 1, County of Cumberland, State of New Jersey, as of December 31, 2019, and the respective changes in financial position thereof and for the year then ended in conformity 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 accompanying Management Discussion and Analysis on pages 7 through 12 along with budgetary comparison information on pages 31 through 32, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements as a whole. The related major fund supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued our report dated April 23, 2020 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**



Raymond Colavita, C.P.A.  
Registered Municipal Accountant  
April 23, 2020



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR'S REPORT

President and Members of the  
Commercial Township Fire District No. 1  
County of Cumberland  
Port Norris, New Jersey

We have audited the financial statements of the governmental activities and each major fund of the Commercial Township Fire District No. 1, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commercial Township Fire District No. 1's basic financial statements and have issued our report thereon dated April 23, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, New Jersey Division of Local Government Services, State of New Jersey.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

*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 misstatement 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

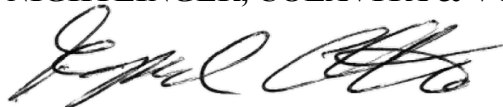
As part of obtaining reasonable assurance about whether the Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 one instance of noncompliance or other matters that are required to be reported under **Government Auditing Standards** and are described in the General Comments section of our report.

### **Purpose of this Report**

The purpose of this report is solely 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. However, this report is a matter of public record.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**



Raymond Colavita, C.P.A.  
Registered Municipal Accountant  
April 23, 2020

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**COUNTY OF CUMBERLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**  
**UNAUDITED**

As management of the Commercial Township Fire District No. 1, we offer readers of the Commercial Township Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the Commercial Township Fire District No. 1 for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance. This presentation is in conformance with GASB 34, which provides more detailed comparisons to prior year financial information.

**Financial Highlights**

- The assets of Commercial Township Fire District No. 1 exceeded its liabilities at the close of the most recent year by \$407,253 (Net Position).
- As of the close of the current year, the Commercial Township Fire District No. 1's governmental funds reported ending fund balances of \$246,126, an increase of \$40,668 in comparison with the prior year.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commercial Township Fire District No. 1's basic financial statements. The Commercial Township Fire District No. 1's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

**District-wide Financial Statements.** The district-wide financial statements are designed to provide readers with a broad overview of the Commercial Township Fire District No. 1's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Commercial Township Fire District No. 1's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commercial Township Fire District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the Commercial Township Fire District No. 1's Net Position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will result in cash flows in future periods. Both of the district-wide financial statements distinguish functions of the Commercial Township Fire District No. 1 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Commercial Township Fire District No. 1 include fire-fighting/suppression services that are provided to the citizens of the Port Norris area of Commercial Township.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commercial Township Fire District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commercial Township Fire District No. 1 constitute one fund type, which is the governmental fund type.

**Governmental Funds.** All of the Commercial Township Fire District No. 1's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commercial Township Fire District No. 1's general government operations and the basic services it provides. Government fund information provides insight as to determining a range of financial resources available to finance fire-fighting/suppression services in the near future.

The Commercial Township Fire District No. 1 maintains a maximum of four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, Commercial Township Fire District No. 1 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance regarding spending within the budget, as well as provide management with a planning tool to achieve the goals of the District.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements are an integral part of the financial statements.

### **District-wide Financial Analysis**

The net position reported each year, and amount of change thereon, provide a useful indicator of a government's financial position. In the case of the Commercial Township Fire District No. 1, assets exceeded liabilities by \$407,253 at the close of the most recent year.

A large portion of the Commercial Township Fire District No. 1's Net Position (40%) reflects its investment in capital assets (i.e. buildings and equipment). Commercial Township Fire District No. 1 uses these assets to provide fire-fighting/suppression services to the citizens of the Commercial Township Fire District No. 1. Consequently, these assets are not available for future spending. Although Commercial Township Fire District No. 1's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operating sources, since the capital assets themselves cannot be used to liquidate those liabilities.

**Statement of Net Position**

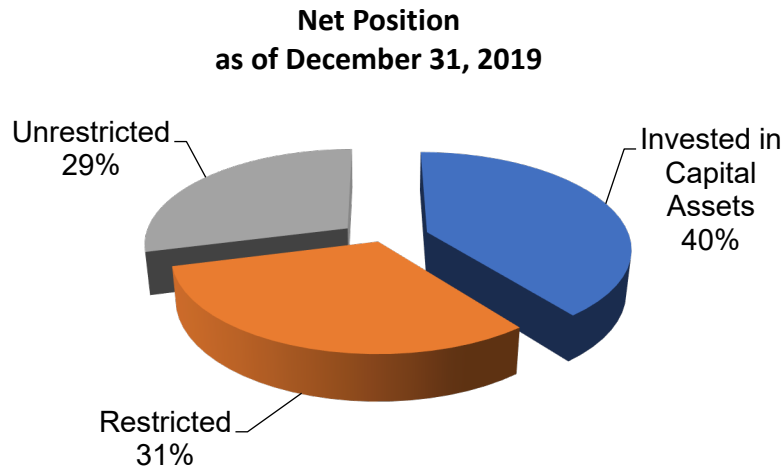
Table 1 provides a comparative summary of the Fire District's Net Position for the years ended in 2019 and 2018.

**Table 1  
Net Position**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 294,297	\$ 249,688
Capital Assets, net	161,127	174,740
<b>Total Assets</b>	<u>455,424</u>	<u>424,428</u>
<b>Liabilities</b>		
Accounts Payable	3,171	2,480
Due to LOSAP	15,325	17,275
Non Current Liabilities:		
Reserve for LOSAP	29,675	24,475
<b>Total Liabilities</b>	<u>48,171</u>	<u>44,230</u>
<b>Net Position</b>	<u>\$ 407,253</u>	<u>\$ 380,198</u>
<b>Analysis of Net Position</b>		
Invested in Capital Assets,		
Net of Related Debt	\$ 161,127	\$ 174,740
Restricted	128,000	102,000
Unrestricted	118,126	103,458
<b>Total Net Position</b>	<u>\$ 407,253</u>	<u>\$ 380,198</u>

In total, the Net Position of governmental activities increased by \$27,055, resulting from an increase in total assets and liabilities of \$30,996 and \$3,941 respectively.

The following charts depict the District's allocation of Net Position for 2019:

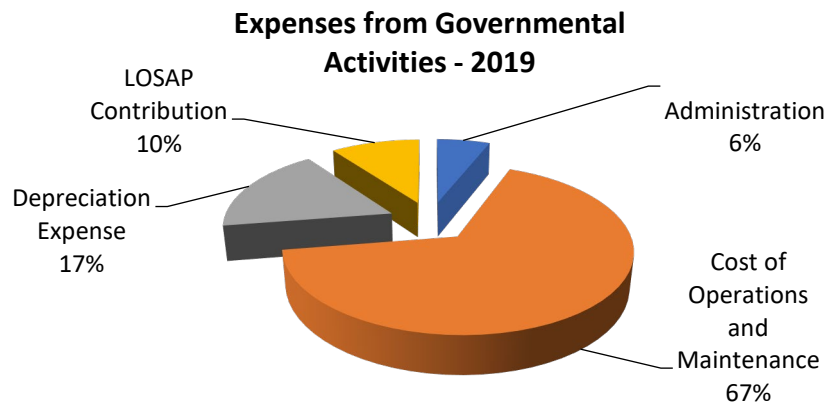


**Governmental Activities.** The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Table 2 shows the changes in net position for 2019 and 2018.

**Table 2  
Statement of Activities**

	<u>2019</u>	<u>2018</u>
Expenses:		
Operating Expenses		
Administration	\$ 11,937	\$ 12,880
Cost of Operations and Maintenance	132,014	111,615
Depreciation Expense	34,589	32,584
LOSAP Contribution	20,000	20,000
Total Program Expenses	<u>198,540</u>	<u>177,079</u>
Program Revenues:		
Operating Grants & Contributions	748	748
Net Program Expenses	<u>197,792</u>	<u>176,331</u>
Taxes:		
Property Taxes, Levied for General Purpose	224,820	220,320
Unrestricted Investment Earnings	27	24
Total General Revenues	<u>224,847</u>	<u>220,344</u>
Increase (Decrease) in Net Position	27,055	44,013
Net Position, January 1	380,198	336,185
Net Position, December 31	<u>\$ 407,253</u>	<u>\$ 380,198</u>

Property taxes constituted 99% of revenues for government activities for the Fire District for the year 2019. In addition, the following charts depict the allocation of expenses for 2019:



## **Financial Analysis of the Government Funds**

As previously stated, Commercial Township Fire District No. 1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of Commercial Township Fire District No. 1's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Commercial Township Fire District No. 1's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, Commercial Township Fire District No. 1's governmental funds reported an ending fund balance of \$246,126, with \$128,000 restricted and \$118,126 unrestricted.

Of the unrestricted fund balance, \$26,000 is committed to help fund a building improvement, \$10,200 is designated to support the 2020 general fund budget and \$81,926 is unassigned. Restricted fund balance consisted of \$24,000 to fund a building improvement and \$104,000 is reserved for future capital outlay. The general fund is the main operating fund of Fire District No. 1.

The fund balance of Commercial Township Fire District No. 1 is made up of the general fund. Key factors are as follows:

- Actual operating expenditures were less than appropriated by \$50,393, while actual revenue exceeded the amount anticipated by \$775.
- Revenues exceeded Expenditures by \$40,668.

## **Capital Projects Fund**

As December 31, 2019, the District has one open capital project regarding improvements to be made to the front apron of the building, in the amount of \$50,000.

## **General Fund Budgetary Highlights**

During the course of the 2019 year, Commercial Township Fire District No. 1 modified its general fund budget in conformance with statute through budget transfers approved in the minutes.

The original budgetary revenue estimate of \$224,820 was the same as the final budget. This amount was made up entirely of property taxes (local tax levy).

The original operating budgetary estimate of \$235,320 was the same as the final budget.

The final budgetary basis expenditure appropriation estimate was \$10,500 in excess of the final budgetary revenue.



## Capital Assets and Debt Administration

Commercial Township Fire District No. 1's investment in capital assets, net of accumulated depreciation, for its governmental activities as of December 31, 2019 amounts to \$161,127.

The balance in Accumulated Depreciation, as of December 31, 2019 was \$1,713,532.

### CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION

	<u>2019</u>	<u>2018</u>
Building & Improvements	\$ 78,671	\$ 84,300
Vehicles		
Equipment	82,456	90,440
Total Capital Assets	<u>\$ 161,127</u>	<u>\$ 174,740</u>

There were additions to Capital Assets of \$20,976 and Depreciation expense of \$34,589 during 2019.

Additional information on Fire District No. 1's capital assets can be found in Note 3 in the notes to financial statements.

## Long-Term Debt

As of the end of 2019, Commercial Township Fire District No. 1 had no outstanding bonded debt and no obligations under a capital lease agreement.

## Economic Factors and Next Years Budget

For the 2019 year, Commercial Township Fire District No. 1 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99% of total revenue is from the local tax levy, while the remaining 1% is from other sources.

The Board of Fire Commissioners adopted the 2019 budget December 17, 2019 and the voters subsequently approved the budget at the annual fire district election held on February 15, 2020.

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of accrual accounting.

## Contacting the Fire District's Financial Management

This financial report is designed to provide our patrons, citizens, taxpayers, and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mike Rodgers, Treasurer, Commercial Township Fire District No. 1, PO Box 115, Port Norris, N.J.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	<b><u>Governmental</u></b>
	<b><u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 294,297
Capital Assets, net	161,127
Total Assets	<u>455,424</u>
<b>LIABILITIES</b>	
Accounts Payable	3,171
Due to LOSAP	15,325
Non-Current Liabilities:	
Reserve for LOSAP	<u>29,675</u>
Total Liabilities	<u>48,171</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	161,127
Restricted for:	
Capital Projects	24,000
Reserved for Future Capital Outlay	104,000
Unrestricted	<u>118,126</u>
Total Net Position	<u>\$ 407,253</u>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2019**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>
Expenses:	
Operating Appropriations:	
Administration	\$ 11,937
Cost of Operations and Maintenance	132,014
Depreciation Expense	34,589
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	20,000
Total Program Expenses	<u>198,540</u>
Program Revenues	
Operating Grants and Contributions	748
Net Program Expenses	<u>197,792</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	224,820
Unrestricted Investment Earnings	27
Total General Revenues	<u>224,847</u>
Increase (Decrease) in Net Position	27,055
Net Position, January 1	<u>380,198</u>
Net Position, December 31	<u>\$ 407,253</u>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

## **FUND FINANCIAL STATEMENTS**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 244,297	\$ 50,000	\$ 294,297
Total Assets	<u>\$ 244,297</u>	<u>\$ 50,000</u>	<u>\$ 294,297</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	3,171		3,171
Due to LOSAP	15,325		15,325
Reserve for LOSAP	29,675		29,675
Total Liabilities	<u>48,171</u>		<u>48,171</u>
Fund Balances:			
Restricted for:			
Capital Projects		24,000	24,000
Reserved for Future Capital Outlay	104,000		104,000
Committed:			
Building Improvement		26,000	26,000
Assigned:			
Designated for Subsequent Years' Expenditure	10,200		10,200
Unassigned, Reported in:			
General Fund	81,926		81,926
Total Fund Balances	<u>196,126</u>	<u>50,000</u>	<u>246,126</u>
Total Liabilities and Fund Balances	<u>\$ 244,297</u>	<u>\$ 50,000</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,874,659 and the accumulated depreciation is \$1,713,532. (Note 3)

	161,127
Net Position of governmental activities	<u>\$ 407,253</u>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Amount to be Raised by Taxation	\$ 224,820	\$	\$ 224,820
Operating Grants	748		748
Miscellaneous	27		27
Total Revenues	225,595		225,595
<b>EXPENDITURES</b>			
Operating Appropriations:			
Administration	11,937		11,937
Cost of Operations and Maintenance	152,990		152,990
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	20,000		20,000
Total Expenditures	184,927		184,927
Excess (Deficiency) of Revenues Over Expenditures	40,668		40,668
<b>OTHER FINANCING SOURCES (USES)</b>			
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	40,668		40,668
Fund Balance—Jan 1	155,458	50,000	205,458
Fund Balance—Dec 31	\$ 196,126	\$ 50,000	\$ 246,126

**The accompanying Notes to Financial Statements are an integral part of this statement.**



**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Total net change in fund balances - governmental funds (from B-2)** \$ 40,668

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays

Depreciation Expense	\$ (34,589)	
Capital Outlays	20,976	
		(13,613)
<b>Change in net position of governmental activities (A-2)</b>	<b>\$</b>	<b>27,055</b>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. **Description of Reporting Entity** - Fire District No. 1 of Commercial Township is a political subdivision of the Township of Commercial, Cumberland County, New Jersey. It was formed through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by **N.J.S.A.** 40A:14-70 et al. and are organized as a taxpaying authority charged with the responsibility of providing the resources necessary to provide fire-fighting services to the residents within its territorial location.

The Fire District is not a component unit of any other financial reporting entity as to Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39 and No. 61.

- b. **Basis of Accounting, Measurement Focus and Basis of Preparation** - The financial statements of the Fire District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of district-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**District-wide Financial Statements** – The Statement of Net Position and the Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the government. The Statement of Net Position presents the financial condition of the governmental activities of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

**Fund Financial Statements** – During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds to aid in financial management and demonstrate legal compliance, through Fund financial statements, designed to present financial information at this more detailed level. The focus of governmental fund financial statements is on major funds, each presented in a single column. To maintain its financial records during the year the Fire District uses funds, defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, which is governmental.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

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

b. **Basis of Accounting, Measurement Focus and Basis of Presentation (Cont'd)**

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the Fire District and is used to account for its inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources, such as state or federal government grants and appropriations that are legally restricted to expenditures for specified purposes. There was no such grant maintained during 2018.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of December 31, 2019, the District has one open capital project for building improvements to the front apron, in the amount of \$50,000.

**Debt Service Fund** - The Debt Service Fund is used to account for resources that will be used to service general long-term debt liabilities recorded in the Statement of Net Position. The District was not required to maintain a Debt Service Fund, as of December 31, 2019.

**Measurement Focus:**

**District-wide Financial Statements** - The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the Statement of Net Position.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus, of which only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances are reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

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

- c. **Budgets and Budgetary Accounting** - The Fire District must adopt an annual budget in accordance with **N.J.S.A. 40A:14-78.1** et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearings must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with **N.J.S.A. 40A:14-78.3**. The budget may not be amended subsequent to its final adoption and approval.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's basic financial statements.

Amounts reported under "final budget" in Exhibits C-1 and I-3, and in the detail statements, include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year-end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Encumbrances** - Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Due to the small size of the Fire District, the selective encumbrance method is implemented rather than a full encumbrance system. Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred revenues at year-end. Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amount as of the current year-end.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

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

- d. **Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. All certificates of deposit are recorded as cash regardless of the date of maturity.

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

**N.J.S.A.** 17:9-41 et seq. establishes the requirements for 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 State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of the Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

- e. **Inventories and Prepaid Expenses** - Inventories and prepaid expenses, which benefit future periods, are recorded as expenditure during the year of purchase.
- f. **Capital Assets** – General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$1,000. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not. All reported capital assets, except land and construction in progress, are required to be depreciated. Improvements are to be depreciated over the remaining useful lives of the related capital assets. Depreciation should be computed using the straight-line method over the following useful lives:

<b><u>Description</u></b>	<b><u>Estimated Lives</u></b>
Buildings and Improvements	30 Years
Vehicles	5-10 Years
Firefighting Equipment	5 Years

**N.J.S.A.** 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and **N.J.S.A.** 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation or property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000, or 2 percent of the assessed valuation of property, whichever is larger.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

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

- g. Long-Term Obligations** - Long-term debt is recognized as a liability of the Fire District when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of the Fire District. The remaining portion of such obligations is reported in the Statement of Net Position.
- h. Unearned Revenue** - Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned.
- i. Fire District Taxes** - Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.
- j. Fund Balance**- The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications and policies for determining such classifications are as follows:

**Non Spendable**- The non spendable fund balance classification included amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**Restricted**- The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions or constraints are placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed**- The committed fund balance classification includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which for the Fire District, is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

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

j. **Fund Balance- (Cont'd)**

**Assigned-** The assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or by the business manager, to which the Board of Commissioners or by the business manager, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business manager is established by way of formal job description for the position, approved by the Board of Commissioners.

**Unassigned-** The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

k. **Use of Estimates** – In order for the preparation of basic financial statements to be in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l. **Comparative Data** - Comparative total data for the prior year have been presented in selected sections of the accompanying basic financial statements in order to provide an understanding of the changes in the Fire District's financial position and operations.

m. **Net Position** - Net Position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net Position is classified into the following three components:

**Net Investment in Capital Assets-** This components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.

**Restricted-** Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Unrestricted-** Net Position is reported is reported as unrestricted when it does not meet the criteria of the other two components of Net Position.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

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

- n. **Revenues-Exchange and Non-Exchange Transactions-** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end. Non-exchange transactions are transactions in which the Fire District receives value without directly giving equal value in return, including Ad Valorem (property) taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the Fire District on a reimbursement basis. Under the modified accrual basis, grants, fees, and rentals are revenue sources considered to be both measurable and available at year-end.
- o. **Accrued Liabilities** – While expenses incurred and paid in full from current financial resources are in general reported as obligations of the various funds, expenses that are not paid with expendable and available financial resources are accrued, such as for compensated absences and other obligations for claims and judgments.
- p. **Interfunds** - Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the period in which the transaction is executed.
- q. **New Accounting Standards**

The District has adopted the following GASB statements:

- GASB No. 83 - Certain Asset Retirement Obligations: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. The adoption of GASB 83 is not expected to impact the financial statements of the District.
- GASB No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements: The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The adoption of GASB 88 is not expected to impact the financial statements of the District.
- GASB No. 84 - Fiduciary Activities: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. The Board is evaluating the potential impact of the adoption of GASB 84 on the School District's financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

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

**q. New Accounting Standards (Cont'd)**

The District has adopted the following GASB statements – (Continued):

- GASB Statement - No. 90 - Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 90 on the School District's financial statements.
- GASB No. 86 - *Certain Debt Extinguishment Issues*: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. The Board is evaluating the potential impact of the adoption of GASB 86 on the District's financial statements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 87 - Leases: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of Statement will be effective for reporting periods beginning after December 15, 2019. The Board is evaluating the potential impact of the adoption of GASB 87 on the School District's financial statements.
- GASB No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 89 on the School District's financial statements.
- GASB Statement - No. 91 – Conduit Debt Obligations: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is evaluating the potential impact of the adoption of GASB 91 on the School District's financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk**

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act which are classified as credit risk. N.J.S.A. 40 A: 5-15.1(A)

Custodial Credit Risk that, in the event of a bank failure, the districts deposits may not be returned to it. Although the district does not have a formal policy regarding custodial credit risk as described in Note 1: N.J.S.A. 17:9-41 et, Seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the governmental Unit Protection Act.

The Fire District designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions. As of December 31, 2019, districts bank balance of \$294,457 was exposed to custodial credit risk as follows:

Insured by Depository Insurance	\$	250,000
Collateralized under GUDPA		44,457
		294,457
Total	\$	294,457

**3. CAPITAL ASSETS**

Capital Asset activity for the year ended December 31, 2019 was as follows:

		Balance December 31, 2018	Additions	Adjustment		Balance December 31, 2019
Land, Building, & Improve	\$	366,036	\$ 2,167	\$	\$	368,203
Vehicles		352,268				352,268
Equipment/Furniture/Fixtures		1,135,379	18,809			1,154,188
Totals at Historical Cost		1,853,683	20,976			1,874,659
Less Accum. Depreciation for:						
Land, Build & Improve		(281,736)	(7,796)			(289,532)
Vehicles		(352,268)				(352,268)
Equipment/Furniture/Fixtures		(1,044,939)	(26,793)			(1,071,732)
Total Accum. Depreciation		(1,678,943)	(34,589)			(1,713,532)
Capital Assets, Net	\$	174,740	\$ (13,613)	\$	\$	161,127

A schedule of fixed assets was initiated as part of the audit and will be compared to physical items on hand during the ensuing year.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

**4. PROPERTY TAX LEVIES**

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

Fiscal Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2019	\$ 85,987,800	\$ 224,820	\$ 0.262
2018	87,238,000	220,320	0.253
2017	87,650,100	216,000	0.247
2016	88,305,600	212,244	0.241
2015	89,544,020	211,681	0.237

**5. FUND BALANCES APPROPRIATED**

The following presents the fund balance and the amount utilized in the subsequent year's budget, as of the end of the current and preceding four years:

Year	End of Year		Utilization in Subsequent Budget	
	Unrestricted	Restricted	Unrestricted	Restricted
2019	\$ 118,126	\$ 128,000	\$ 10,200	\$
2018	103,458	102,000	10,500	
2017	89,322	76,000	10,594	
2016	79,959	50,000	13,900	
2015	102,862	24,000	13,900	

**6. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGET**

There were no deferred charges to be raised in 2019.

**7. LITIGATION**

No contingent liabilities were noted per the Solicitor's written response to our inquiry.

**8. RISK MANAGEMENT**

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

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability and surety bonds.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

**9. FUND EQUITY**

General Fund

Of the \$196,126 General Fund balance at December 31, 2019, \$81,926 is unassigned, \$104,000 is reserved for future capital outlay and \$10,200 has been assigned for subsequent years' expenditures.

Capital Projects Fund

Of the \$50,000 Capital Project Fund balance at December 31, 2019, \$26,000 is committed and derived from unrestricted funds, while \$24,000 is restricted.

**10. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**

In 2001, the voters of Commercial Fire District #1 approved the Resolution adopted to establish a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This Plan is made available to all bona fide eligible volunteers who are performing qualified services, which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 (e) (11) (13) of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document.

The first year of eligibility for entrance into the Plan by qualified volunteers was calendar 2001. Amounts deferred under section 457 Plans must be held in trust for the exclusive benefit of participating volunteers and not be accessible by the Fire District or its Creditors.

As required by N.J.A.C 5:30-14.49, the Fire District must have an annual review of its LOSAP performed in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

The following description of the LOSAP of Commercial Fire District #1 provides only general information. Participants should refer to the Program agreement for a more complete description of the Program's provisions. The Fire District is the Program sponsor.

**General** – The Program is a defined contribution Program covering volunteers in Commercial Fire District No. 1 who have performed sufficient services to earn a number of "points" as defined in a resolution adopted by the Board of Fire Commissioners of Fire District No. 1 and approved by the voters of the District as a public question at the annual fire commissioners' election during 2001.

**Contributions** – If an active member meets the required years of active service, the LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount was established by statute, it is subject to periodic increases related to the consumer price index (N.J.S.A. 40A:14-185) and provided for in a resolution of the Fire District. The Division of Local Government Services issues the permitted maximum annually, which is \$1,742 for 2019.

**Participant Accounts** – Each participant's account reflects the total amount of contributions that are allocated to the account and the earnings thereon, any payments or withdrawals on the participant's behalf from the account and any expenses. Under the enabling legislation, the amount in each participants account is not subject to the general creditors of the District.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

**10. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) (CONT'D)**

**Vesting** – Participants are 100% vested after 5 years of service. If a participant deceases prior to 5 years of service, the full amount of the volunteer’s account will be considered vested and will be paid to the estate of the participant.

**Participant Loans** – Loans are not permitted under the Program.

**Payment of Benefits** – A fully taxable distribution may be made at any time for the full amount of the participant’s vested interest in his or her account.

**Fees and Costs** – The Program participants pay all fees costs related to administration of the Program

**Employer Contributions** – All employer contributions are paid to Lincoln Financial Group, within a reasonable time, in the year subsequent to the year in which the required points have been earned and certified by the chief of the fire company or rescue squad as applicable.

**Withdrawals** – The plan provides for hardship withdrawals, of which there were none during 2018.

**Contribution Receivable** – As set forth in the resolution adopted by District, the Plan Sponsor is obligated to make contributions for participants in the plan who meet the service requirements in any qualifying year.

In 2020, the District determined its 2019 LOSAP contribution to be \$15,325. This amount has been accrued and is reflected in the Statement of Net Position.

**Investments** – All investment balances at December 31, 2019 are certified by Lincoln Financial Group and are valued at market value as stated by Lincoln Financial Group. As of December 31, 2019, the fair market value of the plan investments was \$299,022, which includes the 2018 District contribution of \$16,750.

**Reserve** - During 2019, the Reserve for LOSAP activity was as follows:

Reserve for LOSAP as of December 31, 2018	\$ 24,475
Increased by:	
2018 Contribution Adjustment	525
Transferred from General Fund	20,000
	<hr/>
	45,000
Decreased by:	
2019 LOSAP Contribution	15,325
	<hr/>
Reserve for LOSAP as of December 31, 2019	<u><u>\$ 29,675</u></u>

**Program Termination** – The Fire District Resolution and the enabling legislation do not have any provisions for program termination.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

**10. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) (CONT'D)**

**Tax Status** – The LOSAP was established as a Deferred Compensation Plan pursuant to Section 457 of the Internal Revenue Code (IRC) of 1986, as amended, except for specific provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document.

Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Township of Commercial Fire District No. 1 subject only to the claims of the District's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the District, and each participant's rights are equal to his or her share of the fair market value of the plan assets.

**11. SUBSEQUENT EVENTS**

None

**End Notes to Financial Statements**

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**



**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH TOTALS FOR 2018)**

	2019			Variance Favorable (Unfavorable)	2018
	Original Budget	Modified Budget	Actual		Actual
<b>Revenues</b>					
Revenues and Other Financing Sources:					
Miscellaneous Revenues:					
Interest Earned	\$	\$	\$ 27	\$ 27	\$ 24
Total Miscellaneous Revenues			27	27	24
Operating Grant Revenue:					
Supplemental Fire Services Program			748	748	748
Total Operating Grant Revenues			748	748	748
District Taxes to Support the District Budget:					
Operating and Maintenance	224,820	224,820	224,820		220,320
Total Revenues and Other Financing Sources	\$ 224,820	\$ 224,820	\$ 225,595	\$ 775	\$ 221,092
<b>Expenditures</b>					
Operating Appropriations:					
Administration:					
Salary & Wages	\$ 5,000	\$ 5,000	\$ 5,000	\$	\$ 4,800
Legal and Advertising	1,200	1,200	262	938	362
Elections	300	348	345	3	275
Professional Services	6,109	6,109	5,898	211	5,793
Office Supplies	1,000	1,000	432	568	1,650
Total Administration	13,609	13,657	11,937	1,720	12,880
Cost of Operations and Maintenance:					
Fringe Benefits	1,000	1,000	832	168	
Dues and Subscriptions	600	2,300	2,292	8	599
Building Repairs and Maintenance	25,053	15,705	8,638	7,067	2,211
Fire Fighting Equipment	10,000	14,900	14,849	51	43,002
Materials and Supplies	14,000	14,000	8,543	5,457	5,808
Fuel	6,000	6,000	1,807	4,193	3,161
Rental and Leases	1,500	1,500	56	1,444	54
Training and Education	5,000	5,000	2,800	2,200	7,019
Agreement to Fight Fires per N.J.S.A. 40A:14-68	40,000	40,000	40,000		40,000
Medical	3,000				
Internet	1,000	2,200	2,149	51	1,949
Insurance	22,000	18,000	17,954	46	16,976
Utilities	14,000	14,000	13,288	712	12,850
Internet Maintenance	1,000				
Telephone	8,000	9,000	8,993	7	9,314
Equipment Repairs and Maintenance	21,423	29,923	29,840	83	5,133
Travel	2,135	2,135	949	1,186	
Total Other Operating and Maintenance	175,711	175,663	152,990	22,673	148,076

See Notes to Financial Statements

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH TOTALS FOR 2018)**

	2019			Variance	2018
	Original Budget	Modified Budget	Actual	Favorable (Unfavorable)	Actual
Length of Service Awards (LOSAP) Contribution (P.L. 1997, c. 388)	\$ 20,000	\$ 20,000	\$ 20,000	\$	\$ 20,000
Capital Appropriations					
Reserve for Future Capital Outlays	26,000	26,000		26,000	
Total Capital Appropriations	26,000	26,000		26,000	
Total Operating and Maintenance Expenditures	235,320	235,320	184,927	50,393	180,956
Excess (Deficit) of Revenue Over Expenditures	(10,500)	(10,500)	40,668	51,168	40,136
Fund Balance - Beginning of Year	155,458	155,458	155,458		115,322
Fund Balance - End of Year	\$ 144,958	\$ 144,958	\$ 196,126	\$ 51,168	\$ 155,458
<b>Restricted Fund Balance:</b>					
Reserved for Future Capital Outlay			\$ 104,000		
<b>Assigned Fund Balance:</b>					
Designated for Subsequent Year's Expenditures			10,200		
<b>Unassigned Fund Balance:</b>			81,926		
Fund Balance Per Governmental Funds (GAAP)			\$ 196,126		

See Notes to Financial Statements

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**NOTE TO RSI**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

	<u>General Fund</u>
<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 225,595
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 225,595</u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 184,927
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 184,927</u>

**OTHER SUPPLEMENTARY INFORMATION**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**SUMMARY SCHEDULE OF PROJECT EXPENDITURES**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>Number</u>	<u>Issue/Project Title</u>	<u>Appropriations</u>	<u>Cancelled</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance 12/31/19</u>	<u>Memo Only</u>	
				<u>Prior Year</u>	<u>Current Year</u>		<u>Encumbrances</u>	<u>Available Balance</u>
2015-1	Building Improvement to Front Apron	\$ 50,000	\$	\$	\$	\$ 50,000	\$	\$ 50,000

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**SUMMARY SCHEDULE OF REVENUES AND EXPENDITURES**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

**Revenues and Other Financing  
Sources**

Interest Earned	\$	
Total Revenues		

**Expenditures and Other Financing  
Uses**

Other Professional and Technical Services		
Construction Services		
Total Expenditures		

Excess (Deficiency) of Revenues Over (Under) Expenditures before Transfers

Transfer From General Fund

Excess (Deficiency) of Revenues Over (Under) Expenditures

Fund Balance - Beginning

50,000
--------

Fund Balance - Ending

\$ 50,000
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**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND**  
**PROJECT STATUS - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

**Building Improvement to Front Apron**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from General Fund	\$ 50,000	\$ _____	\$ _____	\$ 50,000
Total Revenues	<u>50,000</u>	<u>_____</u>	<u>_____</u>	<u>50,000</u>
<b>Expenditures and Other Financing Uses</b>				
Other Professional and Technical Services	_____	_____	_____	_____
Construction Services	_____	_____	_____	_____
Total Expenditures	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 50,000</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 50,000</u>

**Additional project information:**

Project Number	N/A
Grant Date	N/A
Original Authorization Cost	\$50,000
Additional Authorized Cost	N/A
Revised Authorized Cost	\$50,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	0%
Original Target Completion Date	12/31/2015
Revised Target Completion Date	Unknown



**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**SCHEDULE OF STATE AND FEDERAL FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>State Funding Department</u>	<u>State Program</u>	<u>GMS Number</u>	<u>Grant Award Amount</u>	<u>From</u>	<u>To</u>	<u>Balance 1/1/2019</u>	<u>Receipts or Revenue Realized</u>	<u>Expenditures</u>	<u>Balance 12/31/2019</u>
Department of Community Affairs	Supplemental Fire Services Program	8030-150-041650	\$ 748	1/1/19	12/31/19	\$	\$ 748	\$ (748)	\$

**EXHIBIT J-2**

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 1**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH AND INVESTMENTS**

Cash - January 1, 2019		\$	249,688
Receipts:			
District Taxes	\$	224,820	
Supplemental Fire Services Program		748	
Interest		27	
		<hr/>	225,595
			<hr/>
			475,283
Disbursements:			
Budget Appropriations		161,756	
LOSAP		16,750	
Prior Year Accounts Payable		2,480	
		<hr/>	180,986
			<hr/>
Cash - December 31, 2019		\$	<u><u>294,297</u></u>

See Notes to Financial Statements

## **GENERAL COMMENTS**

## **GENERAL COMMENTS**

We have audited the financial statements of the Commercial Township Fire District No. 1 as of and for the year ended December 31, 2019 and have issued our report thereon dated April 23, 2020. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Commercial Township Fire District No. 1 to the extent deemed necessary to evaluate the system as required by generally accepted auditing standards.

The purpose of our study and evaluation was to determine the nature, timing and extent of performing the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal control taken as a whole.

The Board of Fire Commissioners of the Commercial Township Fire District No. 1 is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of accounting control of the Commercial Township Fire District No. 1 taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

The size of the staff is not large enough to achieve adequate segregation of duties. This can result in accounting errors or irregularities that may go undetected.

Therefore, to increase the likelihood of detecting material errors or irregularities at an early date, management should monitor and review the financial area and analytically review significant fluctuations between actual and budgeted results of operations. All significant fluctuations should be investigated and resolved in a timely manner.

These conditions were considered in determining the nature, timing and extent of audit tests to be applied in our audit of the financial statements dated April 23, 2020.

The report is intended solely for the use of management and the Division of Local Government Services and should not be used for any other purpose.

**GENERAL COMMENTS** (Continued)

**CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S. 40A:11-4**

**N.J.S. 40A:11-4** requires every appropriate contract or agreement shall be made or awarded only after public advertising for bids, except as provided otherwise by any other law for the sum exceeding the aggregate of \$17,500.

The Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made. The minutes indicate that no bids were requested by public advertisement in 2019 and our examination did not reveal any items required to be advertised for bids.

**AWARD OF PURCHASES, CONTRACTS OR AGREEMENTS BY QUOTATIONS**

**N.J.S. 40A:11-6.1**

Prior to the award of any purchase, contract or agreement, the District shall (except in the case of the performance of professional services) solicit quotations, whenever practicable, on any purchase, contract or agreement, the estimated cost or price of which is in excess of \$2,625. The award shall be made on the basis of the lowest responsible quotation received, which quotation is most advantageous to the contracting unit, price and other factors considered; provided, however, that if the contracting agent deems it impracticable to solicit competitive quotations in the case of extraordinary, unspecifiable services, or, in the case of such or any other purchase, contract or agreement awarded hereunder, having sought such quotations received, the contracting agent shall file a statement of explanation of the reason or reasons therefore, which shall be placed on file with said purchase, contract or agreement. Our examination of expenditures revealed that solicitation of quotations were made, in accordance with **N.J.S. 40A:11-6.1**.

**OTHER GENERAL COMMENTS**

**Purchase Orders/Vouchers**

Our review of the purchasing and disbursements procedure disclosed that purchase orders/vouchers were used and contained the appropriate signatures for approval. The selective encumbrance method of expenditures was implemented as required by directive of the Director of the Division of Local Government Services.

**Minutes**

Signed minutes of the meetings of the Commissioners were available, provided various sufficient details, and were signed and prepared on a timely basis.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**NONE**

**PRIOR YEAR AUDIT FINDINGS**

**NONE**

**REPORTABLE CONDITIONS AND OTHER FINDINGS**

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendation, please do not hesitate to call us.

**APPRECIATION**

We desire to express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**



Raymond Colavita, C.P.A.  
Registered Municipal Accountant