

COMMERCIAL TOWNSHIP
FIRE DISTRICT NO. 2
COUNTY OF CUMBERLAND
REPORT OF AUDIT
DECEMBER 31, 2021

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2

COUNTY OF CUMBERLAND

TABLE OF CONTENTS

<u>EXHIBIT</u>	<u>PAGE</u>
Roster of Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2-4
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	5-6
Required Supplementary Information - Part I Management's Discussion and Analysis	7-12
Basic Financial Statements	
A. District-wide Financial Statements	
A-1 Statement of Net Assets	13
A-2 Statement of Activities	14
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	15
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	16
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to the Financial Statements	18-29
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	30-31
C-2 Budgetary Comparison Schedule - Special Revenue Fund	32
Notes to the Required Supplementary Information	
C-3 Budgetary Comparison Schedule - Note to RSI	33

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2

COUNTY OF CUMBERLAND

TABLE OF CONTENTS

<u>EXHIBIT</u>	<u>PAGE</u>
Other Supplementary Information	
F. Capital Projects Fund:	
F-1 Summary Statement of Project Expenditures	N/A
F-2 Summary Schedule of Revenues and Expenditures	N/A
F-2a Schedule of Project Revenues, Expenditures and Project Fund Balance	N/A
I. Long-Term Debt:	
I-1 Schedule of Bond Anticipation Note	N/A
I-2 Schedule of Obligations under Capital Leases	34
I-3 Debt Service Fund Budgetary Comparison Schedule	35
J. Supplemental Data:	
J-1 Schedule of State Financial Assistance	36
J-2 Schedule of Receipts, Disbursements and Change in Cash	37
J-3 Schedule of Insurance Coverage	38
General Comments:	
Schedule of Findings and Recommendations	39-40
Prior Year Audit Findings	40
Appreciation	41

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during 2021

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF SURETY BOND</u>
<u>Board of Fire Commissioners</u>		
Clifford Sharp	President	
Mark Sheppard	Vice President	
Fred Hundt	Secretary/Treasurer	\$375,000
Ronald Sutton Jr.	Commissioner	
William Horseman	Commissioner	

* Crime Bond - Blanket Policy

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association
Certified Public Accountants*

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

INDEPENDENT AUDITOR'S REPORT

President and Members of the
Commercial Township Fire District No. 2
County of Cumberland
Mauricetown, 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. 2, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2021, 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; 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, 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. 2, County of Cumberland, State of New Jersey, as of December 31, 2021, 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 30 through 33 and page 35 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 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 29, 2022 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement 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 29, 2022

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association
Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

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. 2
County of Cumberland
Mauricetown, New Jersey

We have audited the financial statements of the governmental activities and each major fund of the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Commercial Township Fire District No. 2's basic financial statements and have issued our report thereon dated April 29, 2022. 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

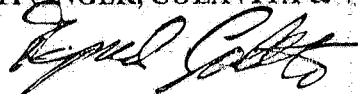
As part of obtaining reasonable assurance about whether the Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is to 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 29, 2022

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF CUMBERLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

As management of the Commercial Township Fire District No. 2, we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2021. 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. 2 exceeded its liabilities at the close of the most recent year by \$403,073, which constitutes Net Position.
- ▶ As of the close of the current year, the Fire District's governmental funds reported ending fund balances of \$216,228, an increase of \$38,663 in comparison with the prior year.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Commercial Township Fire District No. 2's basic financial statements, which 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. 2's finances, in a manner similar to a private sector business, as well as longer-term view. They also reflect what funds remain available for future spending.

The Statement of Net Position presents information on all of the Fire District'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 Fire District is improving or deteriorating.

The Statement of Activities presents information showing how the Commercial Township Fire District No. 2'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. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include firefighting/suppression services that are provided to the citizens of the Mauricetown 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. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Fire District No. 2 constitute one fund type, which is the governmental fund type.

Governmental Funds. All of the Commercial Township Fire District No. 2'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 Fire District'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 firefighting/suppression services in the near future.

The Commercial Township Fire District No. 2 may maintain 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. At present, it is only necessary to maintain a general fund and 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. 2 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, provides a useful indicator of a government's financial position. In the case of the Commercial Township Fire District No. 2, Assets exceeded Liabilities by \$403,073 at the close of the most recent year.

Statement of Net Position

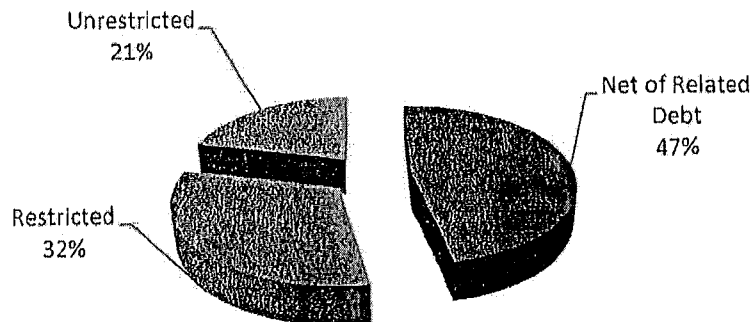
Table 1 provides a comparative summary of the Fire District's Net Position for the years ended in 2021 and 2020.

**Table 1
Net Position**

	<u>2021</u>	<u>2020</u>
Assets		
Cash and Cash Equivalents	\$ 242,198	\$ 204,319
Capital Assets	314,097	382,050
Total Assets	<u>556,295</u>	<u>586,369</u>
Liabilities		
Accounts Payable	8,606	9,390
Accrued Interest Payable	3,476	3,236
Due LOSAP	2,000	3,000
Capital Lease Principal due within one year	41,925	40,886
Capital Lease Principal due beyond one year	81,851	123,776
Reserve for LOSAP	15,364	14,364
Total Liabilities	<u>153,222</u>	<u>194,652</u>
Net Position	<u>403,073</u>	<u>391,717</u>
Analysis of Net Position		
Invested in Capital Assets, Net of Related Debt	190,321	217,388
Restricted	127,155	107,755
Unrestricted	85,597	66,574
Total Net Position	<u>\$ 403,073</u>	<u>\$ 391,717</u>

In total, net position of governmental activities increased by \$11,356.

Net Position - 2021



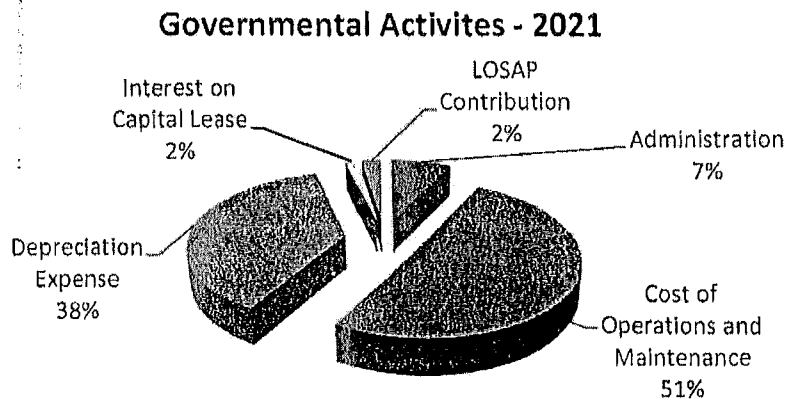
Governmental Activities. The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Table 2 shows the changes in Net Position for 2021 and 2020.

**Table 2
Statement of Activities**

	<u>2021</u>	<u>2020</u>
Expenses		
Operating Expenses		
Administration	\$ 14,570	\$ 14,987
Cost of Operations and Maintenance	98,384	99,931
Depreciation Expense	73,430	78,710
Interest on Capital Lease	3,000	2,400
LOSAP Contribution	4,555	4,568
Total Program Expenses	<u>193,939</u>	<u>200,596</u>
Program Revenues		
Operating Grants & Contributions	<u>262</u>	<u>262</u>
Net Program Expenses	<u>193,677</u>	<u>200,334</u>
Taxes:		
Property Taxes, Levied for General Purpose	159,814	159,814
Property Taxes, Levied for Debt Service	45,201	45,201
FEMA Grant		66,667
Miscellaneous/Interest Earned	<u>18</u>	<u>90</u>
Total General Revenues	<u>205,033</u>	<u>271,772</u>
Increase in Net Position	11,356	71,438
Net Position, January 1	<u>391,717</u>	<u>320,279</u>
Net Position, December 31	<u>\$ 403,073</u>	<u>\$ 391,717</u>

Fire District revenues for the year of 2021 consisted of 100% for Property tax.

The following chart depicts the allocation of Fire District expenses for the year 2021:



Financial Analysis of the Government Funds

As previously stated, the Commercial Township Fire District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commercial Township Fire District No. 2'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, the Commercial Township Fire District No. 2's governmental funds reported combined ending fund balances of \$216,228. This ending fund balance includes \$89,073 in unassigned funds, and \$127,155 restricted for future capital outlay.

The general fund is the main operating fund utilized and possesses the resources of the District.

Revenues decreased by \$66,739 from the previous year, which was primarily the result of the prior year FEMA grant, offset by an increase in the District Tax Levy. Expenditures decreased by \$81,502 over the same period, which is attributed to the prior year capital outlay mostly from the FEMA grant.

During 2020, the District established a Special Revenue Fund to account for charges attributed to a FEMA grant, in the amount of \$66,667, which was not repeated in 2021.

Capital Projects Fund

There is no open capital project for the year ending December 31, 2021.

General Fund Budgetary Highlights

During the course of the 2021 year the Commercial Township Fire District No. 2 modified its general fund budget in conformance with statute through budget transfers approved in the minutes. None of these transfers were considered material. In addition, the District budget was increased

The original general fund budgetary revenue estimate of \$159,814 was the same as the final budget. The modified budget was made up entirely of property taxes (local tax levy). The Debt Service portion of the Tax Levy was \$45,201.

The original operating budgetary expenditure estimate of \$159,814 was also the same as the final budget.

There was no amount of Fund Balance utilized to balance the 2021 budget.

Capital Assets and Debt Administration

Commercial Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2021 amounts to \$1,464,176, with accompanying accumulated depreciation of \$1,150,079, resulting in net capital assets of \$314,097.

CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)

	<u>2021</u>	<u>2020</u>
Equipment	\$ 61,663	\$ 81,731
Vehicles	252,434	300,319
Total Capital Assets	<u>\$ 314,097</u>	<u>\$ 382,050</u>

Long-Term Obligations

As of December 31, 2021, the Commercial Township Fire District No. 2 has one outstanding lease purchase agreement for a fire tanker, with a principal balance of \$123,776.

Economic Factors and Next Year's Budget

For the 2021 year the Commercial Township Fire District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue.

The Board of Fire Commissioners adopted the 2022 budget on January 17, 2022 and the voters subsequently approved the budget at the annual fire district election held on February 19, 2022.

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, Fred Hundt, Secretary, Commercial Township Fire District No. 2, Commercial Township, NJ.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 242,198
Noncurrent Assets:	
Capital Assets, net (Note 4)	314,097
Total Assets	<u>556,295</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	8,606
Accrued Interest Payable	3,476
Due to LOSAP Fund (Note 9)	2,000
Due within One Year (Note 5)	41,925
Noncurrent Liabilities:	
Due beyond One Year (Note 5)	81,851
Reserve for LOSAP (Note 9)	15,364
Total Liabilities	<u>153,222</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	190,321
Restricted:	
Reserve for Future Capital Outlay	127,155
Unrestricted	85,597
Total Net Position	<u>\$ 403,073</u>

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

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Governmental Activities</u>
Expenses:	
Operating Appropriations:	
Administration	\$ 14,570
Cost of Operations and Maintenance	98,384
Depreciation Expense	73,430
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	3,000
Interest on Capital Lease	4,555
Total Program Expenses	<u>193,939</u>
Program Revenues:	
Operating Grants and Contributions	262
Net Program Expenses	<u>193,677</u>
General Revenues:	
Property Taxes Levied for:	
General Purposes	159,814
Debt Service	45,201
Miscellaneous Revenues/Interest Earned	18
Total General Revenues	<u>205,033</u>
Increase in Net Position	11,356
Net Position, January 1	<u>391,717</u>
Net Position, December 31	<u>\$ 403,073</u>

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

FUND FINANCIAL STATEMENTS

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 242,198	\$	\$ 242,198
Total Assets	<u>\$ 242,198</u>	<u>\$</u>	<u>\$ 242,198</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 8,606	\$	\$ 8,606
Due to LOSAP Fund	2,000		2,000
Reserve for LOSAP	15,364		15,364
Total Liabilities	<u>25,970</u>		<u>25,970</u>
Fund Balances:			
Restricted for:			
Future Capital Outlay	127,155		127,155
Unassigned, Reported in:			
General Fund	89,073		89,073
Total Fund Balances	<u>216,228</u>		<u>216,228</u>
Total Liabilities and Fund Balances	<u>\$ 242,198</u>	<u>\$</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 \$1,464,176 and the accumulated depreciation is \$1,150,079. (Note 4)

314,097

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5).

Capital leases payable are reported as liabilities in the Statement of Net Position, but not in the Governmental Funds

(123,776)

Accrued interest on the Capital lease is not paid within the current period and therefore, not reported in the Governmental Funds.

(3,476)

Net Position of governmental activities

\$ 403,073

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

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Miscellaneous Revenues:				
Interest and Other Revenue	\$ 18	\$	\$	\$ 18
Operating Grant Revenue	262			262
Amount to be Raised by Taxation	159,814		45,201	205,015
Total Revenues	<u>160,094</u>		<u>45,201</u>	<u>205,295</u>
EXPENDITURES				
Operating Appropriations:				
Administration	14,570			14,570
Cost of Operations and Maintenance	103,861			103,861
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	3,000			3,000
Capital Lease Principal			40,886	40,886
Capital Lease Interest			4,315	4,315
Total Expenditures	<u>121,431</u>		<u>45,201</u>	<u>166,632</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,663</u>			<u>38,663</u>
Net Change in Fund Balances	<u>38,663</u>			<u>38,663</u>
Fund Balance—Jan 1	177,565			177,565
Fund Balance—Dec 31	<u>\$ 216,228</u>	<u>\$</u>	<u>\$</u>	<u>\$ 216,228</u>

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

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
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, 2021

Total net change in fund balances - governmental funds (from B-2)	\$	38,663
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation expense	(73,430)	
Capital outlays	5,477	
		(67,953)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		40,886
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		(240)
Accrued Interest		
Change in net position of governmental activities (A-2)	\$	11,356

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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Description of Reporting Entity - Fire District No. 2 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. Commercial Township Fire District No. 2 serves the Mauricetown area of the Township.

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.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

b. Basis of Accounting, Measurement Focus and Basis of Presentation (Continued)

Fund Financial Statements – During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is 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.

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. During 2020, the District established a Special Revenue Fund to account for charges attributed to a FEMA grant, in the amount of \$66,667, which were fully expended in 2020.

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.

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.

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.

- 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.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

c. **Budgets and Budgetary Accounting (Continued)**

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 for operations and I-3, if any, for debt service 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.

- 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.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

d. Cash, Cash Equivalents and Investments (Continued) -

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 an expenditure during the year of purchase.

f. 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.

g. 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:

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

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

g. Capital Assets (Continued)

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.

h. 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.

i. Unearned Revenue - Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned.

j. 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.

k. Fund Equity - Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

l. 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.

m. 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.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

- n. **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 component 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 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.

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

- o. **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, 2021
(CONTINUED)

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

o. Fund Balance - (Continued)

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.

p. New Accounting Standards

The District has adopted the following GASB 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, 2020. The adoption of GASB 89 is not expected to impact the financial statements of the District.
- GASB No. 98 - The Annual Comprehensive Financial Report: The objective of this Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The adoption of GASB 98 is not expected to impact the financial statements of the District.

The 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 June 15, 2021. The Board is evaluating the potential impact of the adoption of GASB 87 on the Fire District's financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(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 and are classified as credit risk per N.J.S.A. 40 A:5-15.1(A).

Custodial Credit Risk is the 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 unit's 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, 2021, none of the districts bank balance of \$244,382 was exposed to custodial credit risk.

Insured by Depository Insurance	\$	244,382
Collateralized under GUDPA		
Total	\$	<u>244,382</u>

3. 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:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2021	\$ 57,484,500	\$ 205,015	\$ 0.357
2020	57,946,700	205,015	0.354
2019	58,431,200	204,819	0.351
2018	58,715,800	204,662	0.349
2017	58,832,500	203,922	0.347

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

5. LONG-TERM DEBT (CONT'D)

Capital Lease Payable

2015 Tanker Truck- On March 20, 2015, the District executed a ten year capital lease, in the amount of \$423,976, for the purchase of a new tanker truck. The interest rate on this capital lease is 2.54%.

The following is a schedule of the future minimum lease payments under the revised capital lease:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022 \$	41,925	3,276 \$	45,201
2023	42,990	2,211	45,201
2024	38,861	1,120	39,981
	<u>\$ 123,776</u>	<u>\$ 6,607</u>	<u>\$ 130,383</u>

6. FUND BALANCES APPROPRIATED

The following presents the fund balance and amount utilized in the subsequent year's budget for the current and proceeding four years:

<u>Year</u>	<u>End of Year</u>		<u>Utilization in Subsequent Budget</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
2021 \$	127,155	\$ 89,073	\$	
2020	107,755	69,810		
2019	88,355	65,310		8,333
2018	68,755	63,760		
2017	54,855	117,144		60,000

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, 2021
(CONTINUED)

4. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2021 was as follows:

	Balance December 31, 2020	Additions	Adjustment	Balance December 31, 2021
Fire Fighting Vehicle	\$ 1,239,976	\$ 5,477		\$ 1,245,453
Equipment	218,723			218,723
Totals at Historical Cost	1,458,699	5,477		1,464,176
Less Accum. Depreciation for:				
Fire Fighting Vehicle	(939,657)	(53,363)		(993,020)
Equipment	(136,992)	(20,067)		(157,059)
Total Accum. Depreciation	(1,076,649)	(73,430)		(1,150,079)
Capital Assets, Net	\$ 382,050	\$ (67,953)		\$ 314,097

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.

5. LONG-TERM DEBT

The following changes occurred in long-term obligations:

	Principal Outstanding 1/1/2021	Increases	Decreases	Principal Outstanding 12/31/2021	Due Within One Year	Due After One Year
Obligations under Capital Lease	\$ 164,662		\$ 40,886	\$ 123,776	\$ 41,925	\$ 81,851

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

9. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

On February 13, 2003, the voters of Commercial Fire District No. 2 approved the establishment of 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 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 following description of the LOSAP of Commercial Fire District No. 2 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. 2 who have performed sufficient services to earn 60 "points" as defined in a resolution adopted by the Board of Fire Commissioners of Fire District No. 2 on February 11, 2004 and approved by the voters of the District as a public question at the annual fire commissioners' election on February 21, 2004.

Contributions – The Fire Districts contribution, on behalf of a participant that is a qualifying volunteer, is as follows:

60-70 points =	\$200
71-80 points =	\$400
81-90 points =	\$600
91+ points =	\$800

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 participant's account is subject to the general creditors of the District.

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 and 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.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

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.

Investments – All investment balances at December 31, 2021 are certified by Lincoln Financial Group and are valued at market value as stated by Lincoln Financial Group.

LOSAP Reserve:

	<u>Amount</u>
Balance - January 1, 2021	\$ 14,364
Increased by:	
2021 Budget	3,000
	<u>17,364</u>
Decreased by:	
Accrued Board Contribution	2,000
	<u>2,000</u>
Balance - December 31, 2021	<u>\$ 15,364</u>

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

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. 2 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.

10. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGET

None

11. SUBSEQUENT EVENTS

None

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH TOTALS FOR 2020)

	2021			Variance Favorable (Unfavorable)	2020
	Original Budget	Modified Budget	Actual		Actual
Revenues					
Revenues and Other Financing Sources:					
Miscellaneous Revenues:					
Interest Earned	\$	\$	\$ 18	\$ 18	\$ 90
Total Miscellaneous Revenues			18	18	90
Operating Grant Revenue:					
Supplemental Fire Services Program			262	262	262
Total Operating Grant Revenue			262	262	262
District Taxes to Support the District Budget:					
Operating and Maintenance	159,814	159,814	159,814		159,814
Total Revenues and Other Financing Sources	\$ 159,814	\$ 159,814	\$ 160,094	\$ 280	\$ 160,166
Expenditures					
Operating Appropriations:					
Administration:					
Commissioners	\$ 6,800	\$ 8,000	\$ 8,000	\$	\$ 8,000
Advertising	500	500	33	467	393
Elections	200	200	200		200
Office Supplies	500	500	123	377	168
Professional Services	9,200	6,600	6,214	386	6,226
Total Administration	17,200	15,800	14,570	1,230	14,987
Cost of Operations and Maintenance:					
Supplies	1,700	1,700		1,700	99
Inspections	7,500	7,500	6,832	668	6,726
Utilities	20,000	20,000	14,716	5,284	17,071
Firefighting Equipment	5,273	5,273	2,958	2,315	13,506
Ambulance Services	5,500	5,500	5,500		5,500
Fuel	2,800	2,800	869	1,931	611
Training	4,041	4,041	3,085	956	2,765
Hepatitis Shots/Medical	500	500		500	
Bank Service Charge	50	50		50	5
Insurance	33,000	33,000	30,401	2,599	29,870
Maintenance and Repairs	8,100	9,500	9,500		4,393
Rental and Leases	30,000	30,000	30,000		30,000
Fire Prevention	750	750		750	
Physicals	1,000	1,000		1,000	
Total Other Operating and Maintenance	120,214	121,614	103,861	17,753	110,546
Deferred Charges					8,333
Length of Service Awards (LOSAP) Contribution (P.L. 1997, c. 388)	3,000	3,000	3,000		2,400

See Notes to Financial Statements

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH TOTALS FOR 2020)

	2021			Variance Favorable (Unfavorable)	2020
	Original Budget	Modified Budget	Actual		Actual
Capital Appropriations:					
Reserve for Future Capital Outlays	\$ 19,400	\$ 19,400	\$	\$ 19,400	\$
Total Capital Appropriations	19,400	19,400		19,400	
Total Operating and Maintenance Expenditures	159,814	159,814	121,431	38,383	136,266
Excess (Deficit) of Revenue Over Expenditures	-	-	38,663	38,663	23,900
Fund Balance - Beginning of Year	177,565	177,565	177,565		153,665
Fund Balance - End of Year	\$ 177,565	\$ 177,565	\$ 216,228	\$ 38,663	\$ 177,565

RECAPITULATION:

Restricted Fund Balance:	
Future Capital Outlay	\$ 127,155
Unassigned Fund Balance	89,073
	<u>\$ 216,228</u>

See Notes to Financial Statements

COMMERCIAL FIRE DISTRICT NO. 2
SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021			Variance Favorable (Unfavorable)	2020
	Original Budget	Modified Budget	Actual		Actual
REVENUES:					
Federal Sources	\$	\$	\$	\$	\$ 66,667
Total Revenues					66,667
EXPENDITURES:					
Capital Appropriations:					
Fire Fighting Equipment - Air Packs					66,667
Total Instruction					66,667
Total Expenditures					66,667
Other Financing Sources (Uses)					
Total Outflows					66,667
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RS!
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

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

	<u>General Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 160,094
 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>\$ 160,094</u>
 Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 121,431
 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>\$ 121,431</u>

OTHER SUPPLEMENTARY INFORMATION

EXHIBIT 1-3

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021			2020	
	Original Budget	Modified Budget	Actual	Variance Positive (Negative) Final to Actual	Actual
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 45,201	\$ 45,201	\$ 45,201	\$	\$ 45,201
EXPENDITURES:					
Principal Payments:					
Capital Lease	40,886	40,886	40,886		39,873
Interest Payments:					
Capital Lease	4,315	4,315	4,315		5,328
Total Expenditures	45,201	45,201	45,201		45,201
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balance, January 1					
Fund Balance, December 31	\$	\$	\$	\$	\$

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF CUMBERLAND
SCHEDULE OF STATE AND FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

State Funding Department	State Program	GMIS Number	Grant Award Amount	From	To	Balance 1/1/2021	Receipts or Revenue Realized	Expenditures	Balance 12/31/2021
Department of Community Affairs	Supplemental Fire Services Program	8030-150-041650	\$ 262	1/1/2021	12/31/2021	\$	\$ 262	\$ (262)	\$

EXHIBIT J-2

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Receipts:			
Fire District Taxes	\$ 159,814	\$	\$ 45,201
Operating Grant Revenue	262		
Interest and Other	18		
	<u>160,094</u>		<u>45,201</u>
Disbursements:			
Operating Budget Appropriations	109,825		
Debt Service			45,201
2020 LOSAP Contribution	3,000		
Prior Year Accounts Payable	9,390		
	<u>122,215</u>		<u>45,201</u>
Increase (Decrease) in Cash	37,879		
Cash at Beginning of Year	204,319		
Cash at End of Year	<u>\$ 242,198</u>	<u>\$</u>	<u>\$</u>

See Notes to Financial Statements

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

MINTS INSURANCE	<u>Coverage</u>	<u>Deductible</u>
Property Coverage		
Real Property	\$ 1,862,925	\$ 500
Personal	120,925	500
Money and Securities	10,000	
Software	25,000	
Crime Coverage		
Commercial Blanket Bond	375,000	
Public Employee Blanket Bond	250,000	
Portable Equipment Coverage		
Guaranteed Replacement Cost		500
Auto		
Liability	1,000,000	
Medical Payment	5,000	per person
General Liability		
Medical Incident	1,000,000	
Medical Expense	5,000	per person
Personal & Advertising Injury	1,000,000	
General Aggregate	3,000,000	
Products - Completed Oper. Aggregate	3,000,000	
Management Liability		
Aggregate Limit	3,000,000	
Coverage A	1,000,000	
Coverage B	25,000	

Source: District Records

GENERAL COMMENTS

GENERAL COMMENTS

We have audited the financial statements of the Commercial Township Fire District No. 2 as of and for the year ended December 31, 2021 and have issued our report thereon dated April 29, 2022. 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. 2 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 were 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. 2 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. 2 taken as a whole.

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 29, 2022.

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.

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.

GENERAL COMMENTS (Continued)

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 did not indicate that bids were requested by public advertisement in 2021 and our examination revealed no instance of noncompliance with N.J.S. 40A:11-4.

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 was made when necessary.

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 detail, and were signed and prepared on a timely basis.

FINDINGS & RECOMMENDATIONS

None

PRIOR YEAR AUDIT FINDINGS

In accordance with governmental auditing standards, our procedures include a review of the prior year's recommendations, of which there were none.

REPORTABLE CONDITIONS AND OTHER FINDINGS

There were no problems or weaknesses noted in our review, which were 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