

COMMERCIAL TOWNSHIP
FIRE DISTRICT NO. 2
COUNTY OF CUMBERLAND
REPORT OF AUDIT
DECEMBER 31, 2023

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	2-5
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	6-7
Required Supplementary Information - Part I Management's Discussion and Analysis	8-13
 Basic Financial Statements	
A. District-wide Financial Statements	
A-1 Statement of Net Assets	14
A-2 Statement of Activities	15
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	16
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	17
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
 Notes to the Financial Statements	 19-30
 Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	31-32
 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	34
F-2 Summary Schedule of Revenues and Expenditures	35
F-2a Schedule of Project Revenues, Expenditures and Project Fund Balance	36
I. Long-Term Debt:	
I-1 Schedule of Bond Anticipation Note	N/A
I-2 Schedule of Obligations under Capital Leases	37
I-3 Debt Service Fund Budgetary Comparison Schedule	38
J. Supplemental Data:	
J-1 Schedule of State Financial Assistance	N/A
J-2 Schedule of Receipts, Disbursements and Change in Cash	39
J-3 Schedule of Insurance Coverage	40
General Comments:	41-42
Reportable Conditions and Other Findings	43
Summary of Auditor's Results	43
Prior Year Audit Findings	44
Appreciation	44

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during 2023

<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

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INDEPENDENT AUDITOR'S REPORT

President and Members of the
Commercial Township Fire District No. 2
County of Cumberland
Mauricetown, New Jersey

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (Cont.)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated April 19, 2024 on our consideration of the Commercial Township Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 effectiveness of the Commercial Township Fire District No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering Commercial Township Fire District No. 2's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

A handwritten signature in black ink, appearing to read 'Raymond Colavita', written in a cursive style.

Raymond Colavita, C.P.A., R.M.A.
April 19, 2024

NIGHTLINGER, COLAVITA & VOLPA

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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. 2
County of Cumberland
Mauricetown, New Jersey

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information 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, 2023, and the related notes to the financial statements, which collectively comprise the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's basic financial statements, and have issued our report thereon dated April 19, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the internal control deficiency, reported as Finding 2023-1 in the schedule of findings and recommendations, to be significant.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commercial Township Fire District No. 2, in the County of Cumberland, State of New Jersey's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the entity's internal control and compliance. 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 19, 2024

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, 2022
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, 2023. 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 \$407,991, which constitutes Net Position.
- As of the close of the current year, the Fire District's governmental funds reported ending fund balances of \$276,857, an increase of \$24,726 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

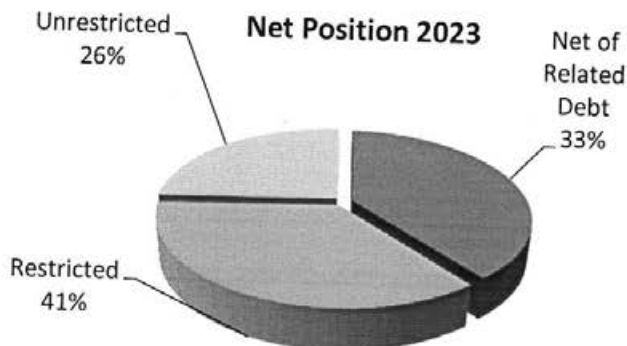
The Net Position reported each year, and amount of change thereon, provides a useful indicator of a government's financial position. In the case of the Commercial Township Fire District No. 2, Assets exceeded Liabilities by \$407,991 at the close of the most recent year.

Statement of Net Position

Table 1 provides a comparative summary of the Fire District's Net Position for the years ended in 2023 and 2022. In total, net position of governmental activities decreased by \$2,506.

**Table 1
Net Position**

	<u>2023</u>	<u>2022</u>
Assets		
Cash and Cash Equivalents	\$ 296,018	\$ 212,446
Accounts Receivable		52,541
Prepaid Insurance	16,992	18,017
Capital Assets	170,835	241,875
Total Assets	<u>483,845</u>	<u>524,879</u>
Liabilities		
Accounts Payable	14,789	11,509
Accrued Interest Payable	840	1,658
Due LOSAP	2,000	2,000
Capital Lease Principal due within one year	38,861	42,990
Capital Lease Principal due beyond one year		38,861
Reserve for LOSAP	19,364	17,364
Total Liabilities	<u>75,854</u>	<u>114,382</u>
Net Position	<u>\$ 407,991</u>	<u>\$ 410,497</u>
Analysis of Net Position		
Invested in Capital Assets, Net of Related Debt	131,974	160,024
Restricted	167,405	146,555
Unrestricted	108,612	103,918
Total Net Position	<u>\$ 407,991</u>	<u>\$ 410,497</u>

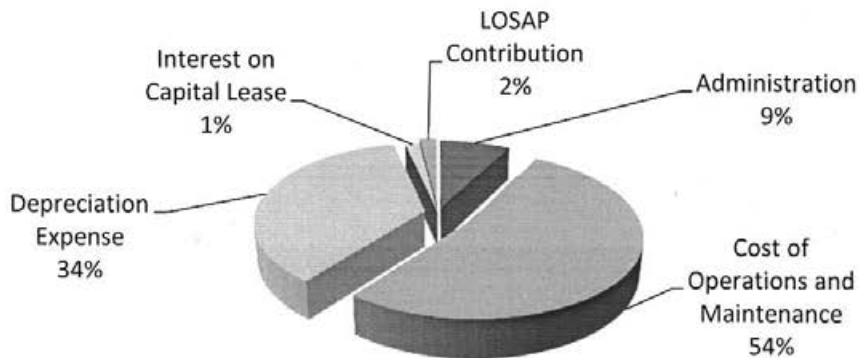


Governmental Activities. The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Table 2 shows the changes in Net Position for 2023 and 2022.

**Table 2
Statement of Activities**

	<u>2023</u>	<u>2022</u>
Expenses		
Operating Expenses		
Administration	\$ 20,214	\$ 16,012
Cost of Operations and Maintenance	119,667	108,123
Depreciation Expense	74,390	73,912
Interest on Capital Lease	1,394	3,276
LOSAP Contribution	4,000	4,000
Total Program Expenses	<u>219,665</u>	<u>205,323</u>
Program Revenues		
Operating Grants & Contributions		262
Net Program Expenses	<u>219,665</u>	<u>205,061</u>
Taxes:		
Property Taxes, Levied for General Purpose	170,064	163,914
Property Taxes, Levied for Debt Service	45,202	45,201
Miscellaneous/Interest Earned	1,893	3,370
Total General Revenues	<u>217,159</u>	<u>212,485</u>
Increase in Net Position	(2,506)	7,424
Net Position, January 1	410,497	403,073
Net Position, December 31	<u>\$ 407,991</u>	<u>\$ 410,497</u>

The following chart depicts the allocation of Fire District expenses for the year 2023:



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 \$276,857. This unrestricted ending fund balance includes \$64,673 in unassigned funds and \$44,779 assigned for support of the subsequent year's operating budget. Restricted fund balance includes \$92,405 for future capital outlay and \$75,000 for capital projects.

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

Revenues increased by \$4,411 from the previous year, which was primarily the result of an increase in the District Tax Levy. Expenditures increased by \$15,588 over the same period due to increases in operating costs attributed to general economic inflation.

Capital Projects Fund

As of December 31, 2023, there is one open capital project for the purchase of a new pick up truck, in the amount of \$75,000. The board anticipates the completion of this purchase in 2024.

General Fund Budgetary Highlights

During the course of the 2023 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.

The original general fund budgetary revenue estimate of \$170,064 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 \$45,202.

The original operating budgetary expenditure estimate of \$248,064 was also the same as the final budget.

Fund Balance of \$78,000 was utilized to balance the 2023 budget, however, the actual amount utilized was \$50,274, as of December 31, 2023. In addition, the budgetary revenues and expenditures had positive variances of \$1,893 and \$25,833, respectively, at year end.

Capital Assets and Debt Administration

Commercial Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2023 amounts to \$1,469,216 with accompanying accumulated depreciation of \$1,298,381 resulting in net capital assets of \$170,835. There was \$3,350 in additions, offset by depreciation expense of \$74,390.

CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	<u>2023</u>	<u>2022</u>
Equipment	\$ 26,587	\$ 43,534
Vehicles	144,248	198,341
Total Capital Assets	<u>\$ 170,835</u>	<u>\$ 241,875</u>

Long-Term Obligations

As of December 31, 2023, the Commercial Township Fire District No. 2 has one outstanding lease purchase agreement for a fire tanker, with a principal balance of \$38,861.

Economic Factors and Next Year's Budget

For the 2023 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 2024 budget on December 11, 2023, and the voters subsequently approved the budget at the annual fire district election held on February 17, 2024.

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

EXHIBIT A-1

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 296,018
Prepaid Insurance	16,992
Noncurrent Assets:	
Capital Assets, net (Note 4)	170,835
Total Assets	<u>483,845</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	14,789
Accrued Interest Payable	840
Due to LOSAP Fund (Note 9)	2,000
Due within One Year (Note 5)	38,861
Noncurrent Liabilities:	
Reserve for LOSAP (Note 9)	19,364
Total Liabilities	<u>75,854</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	131,974
Restricted:	
Reserve for Future Capital Outlay	92,405
Other	75,000
Unrestricted	108,612
Total Net Position	<u>\$ 407,991</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, 2023

	<u>Governmental Activities</u>
Expenses:	
Operating Appropriations:	
Administration	\$ 20,214
Cost of Operations and Maintenance	119,667
Depreciation Expense	74,390
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	4,000
Interest on Capital Lease	1,394
Total Program Expenses	<u>219,665</u>
Program Revenues:	
Operating Grants and Contributions	
Net Program Expenses	<u>219,665</u>
General Revenues:	
Property Taxes Levied for:	
General Purposes	170,064
Debt Service	45,202
Miscellaneous Revenues	1,893
Total General Revenues	<u>217,159</u>
Increase in Net Position	(2,506)
Net Position, January 1	410,497
Net Position, December 31	<u>\$ 407,991</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, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 221,018	\$ 75,000	\$	\$ 296,018
Prepaid Insurance	16,992			16,992
Total Assets	\$ 238,010	\$ 75,000	\$	\$ 313,010
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 14,789	\$	\$	\$ 14,789
Due to LOSAP Fund	2,000			2,000
Reserve for LOSAP	19,364			19,364
Total Liabilities	36,153			36,153
Fund Balances:				
Restricted for:				
Future Capital Outlay	92,405			92,405
Capital Projects		75,000		75,000
Unrestricted:				
Assigned:				
Designated Subsequent Years Expenditures	44,779			44,779
Unassigned, Reported in:				
General Fund	64,673			64,673
Total Fund Balances	201,857	75,000		276,857
Total Liabilities and Fund Balances	\$ 238,010	\$ 75,000	\$	

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 \$1,469,216 and the accumulated depreciation is \$1,298,381. (Note 4)

170,835

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

(38,861)

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

(840)

Net Position of governmental activities

\$ 407,991

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, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Miscellaneous Revenues:				
Interest and Other Revenue	\$ 1,893	\$	\$	\$ 1,893
Amount to be Raised by Taxation	170,064		45,202	215,266
Total Revenues	<u>171,957</u>		<u>45,202</u>	<u>217,159</u>
EXPENDITURES				
Operating Appropriations:				
Administration	20,214			20,214
Cost of Operations and Maintenance	123,017			123,017
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	4,000			4,000
Capital Lease Principal			42,990	42,990
Capital Lease Interest			2,212	2,212
Total Expenditures	<u>147,231</u>		<u>45,202</u>	<u>192,433</u>
Excess (Deficiency) of Revenues Over Expenditures	24,726			24,726
Other Financing Source and Uses:				
Transfers	(75,000)	75,000		
Net Change in Fund Balances	<u>(50,274)</u>	<u>75,000</u>		<u>24,726</u>
Fund Balance—Jan 1	252,131			252,131
Fund Balance—Dec 31	<u>\$ 201,857</u>	<u>\$ 75,000</u>	<u>\$</u>	<u>\$ 276,857</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, 2023

Total net change in fund balances - governmental funds (from B-2)	\$	24,726
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 estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation expense	(74,390)	
Capital outlays	3,350	
	(71,040)	(71,040)
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.		42,990
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.		
Accrued Interest		818
Change in net position of governmental activities (A-2)	\$	(2,506)

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, 2023

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, 2023
(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.

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, 2023, there is one open capital project for the purchase of a new pickup truck, in the amount of \$75,000.

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.

- 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, 2023
(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, 2023
(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, 2023
(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, 2023
(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, 2023
(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 accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB Statement No. 100 - *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62: The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District's management is currently evaluating the future financial impact as a result of the issuance of GASB Statement No. 100.
- GASB Statement No. 101 – *Compensated Absences*: The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District's management does not anticipate any future financial impact as a result of the issuance of GASB Statement No. 101.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

p. New Accounting Standards (Continued)

- **GASB Statement No. 102 - *Certain Risk Disclosures***— The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The District's management is currently evaluating the future financial impact as a result of the issuance of GASB Statement No. 102.

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, 2023, none of the districts bank balance of \$304,078 was exposed to custodial credit risk.

Insured by Depository Insurance	\$ 304,078
Collateralized under GUDPA	
Total	<u>\$ 304,078</u>

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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:

Fiscal Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2023	\$ 57,189,200	\$ 215,266	0.377
2022	57,484,500	209,115	0.366
2021	57,946,700	205,015	0.357
2020	58,431,200	204,819	0.354
2019	58,715,800	204,662	0.351

4. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2023 was as follows:

	Balance December 31, 2022	Additions	Adjustment	Balance December 31, 2023
Fire Fighting				
Vehicle	\$ 1,245,453	\$	\$	\$ 1,245,453
Equipment	220,413	3,350		223,763
Totals at Historical Cost	1,465,866	3,350		1,469,216
Less Accum. Depreciation for:				
Fire Fighting				
Vehicle	(1,047,113)	(54,094)		(1,101,207)
Equipment	(176,878)	(20,296)		(197,174)
Total Accum. Depreciation	(1,223,991)	(74,390)		(1,298,381)
Capital Assets, Net	\$ 241,875	\$ (71,040)	\$	\$ 170,835

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 1/1/2023	Increases	Decreases	Principal Outstanding 12/31/2023	Due Within One Year	Due After One Year
Obligations under Capital Lease	\$ 81,851	\$	\$ 42,990	\$ 38,861	\$ 38,861	\$

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(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>
2023	\$ 38,861	\$ 1,120	\$ 39,981
	<u>\$ 38,861</u>	<u>\$ 1,120</u>	<u>\$ 39,981</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>
2023	\$ 167,405	\$ 109,452	\$	\$ 44,779
2022	146,555	102,234	75,000	3,000
2021	127,155	89,073		1,300
2020	107,755	69,810		
2019	88,355	65,310		8,333

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, 2023
(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, 2023
(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, 2023 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, 2023	\$ 17,364
Increased by:	
2023 Budget	4,000
	<u>21,364</u>
Decreased by:	
Accrued Board Contribution	2,000
Balance - December 31, 2023	<u>\$ 19,364</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, 2023
(WITH TOTALS FOR 2022)

	2023			Variance Favorable (Unfavorable)	2022
	Original Budget	Modified Budget	Actual		Actual
Revenues					
Revenues and Other Financing Sources:					
Miscellaneous Revenues:					
Interest Earned	\$	\$	\$ 24	\$ 24	\$ 28
Other			1,869	1,869	3,342
Total Miscellaneous Revenues			1,893	1,893	3,370
Operating Grant Revenue:					
Supplemental Fire Services Program					262
Total Operating Grant Revenue					262
District Taxes to Support the District Budget:					
Operating and Maintenance	170,064	170,064	170,064		163,914
Total Revenues and Other Financing Sources	\$ 170,064	\$ 170,064	\$ 171,957	\$ 1,893	\$ 167,546
Expenditures					
Operating Appropriations:					
Administration:					
Commissioners	\$ 9,400	\$ 9,400	\$ 7,800	\$ 1,600	\$ 8,000
Advertising	1,000	1,000	235	765	996
Elections	300	500	431	69	200
Office Supplies	500	1,300	1,226	74	
Professional Services	12,800	11,800	10,522	1,278	6,816
Total Administration	24,000	24,000	20,214	3,786	16,012
Cost of Operations and Maintenance:					
Supplies	1,700	2,839	2,839		
Inspections	7,500	665	665		7,142
Utilities	20,000	18,624	18,624		15,471
Firefighting Equipment	5,273	4,850	4,850		6,403
Ambulance Services	5,500	5,500	5,500		6,000
Fuel	2,800	1,266	1,266		2,411
Training	6,041	2,630	2,630		523
Hepatitis Shots/Medical	500	410		410	
Bank Service Charge	50	37		37	5
Insurance	35,000	44,561	44,561		37,618
Maintenance and Repairs	8,100	12,062	12,062		6,058
Rental and Leases	30,000	30,000	30,000		30,000
Fire Prevention	750	750		750	
Physicals	1,000	20	20		
Total Other Operating and Maintenance	124,214	124,214	123,017	1,197	111,631
Length of Service Awards (LOSAP)					
Contribution (P.L. 1997, c. 388)	4,000	4,000	4,000		4,000

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH TOTALS FOR 2022)

	2023			Variance Favorable (Unfavorable)	2022
	Original Budget	Modified Budget	Actual		Actual
Capital Appropriations:					
Reserve for Future Capital Outlays	\$ 20,850	\$ 20,850	\$	\$ 20,850	\$
Transfer to Capital Projects Fund	75,000	75,000	75,000		
Total Capital Appropriations	95,850	95,850	75,000	20,850	
Total Operating and Maintenance Expenditures	248,064	248,064	222,231	25,833	131,643
Excess (Deficit) of Revenue Over Expenditures	(78,000)	(78,000)	(50,274)	27,726	35,903
Fund Balance - Beginning of Year	252,131	252,131	252,131		216,228
Fund Balance - End of Year	\$ 174,131	\$ 174,131	\$ 201,857	\$ 27,726	\$ 252,131

RECAPITULATION:

Restricted Fund Balance:	
Future Capital Outlay	\$ 92,405
Unrestricted Fund Balance:	
Assigned:	
Designated for Subsequent Years Expenditures	44,779
Unassigned Fund Balance	64,673
	<u>\$ 201,857</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

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	\$ 171,957
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>\$ 171,957</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 222,231
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>\$ 222,231</u>

OTHER SUPPLEMENTARY INFORMATION

EXHIBIT F-1

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

<u>Number</u>	<u>Issue/Project Title</u>	<u>Expenditures to Date</u>			<u>Unexpended Balance 12/31/2023</u>	<u>Memo Only</u>	
		<u>Appropriations</u>	<u>Cancelled</u>	<u>Prior Year</u>		<u>Current Year</u>	<u>Encumbrances</u>
2023-1	Purchase of New Pickup Truck	\$ 75,000	\$	\$	\$ 75,000	\$	\$ 75,000

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

**Revenues and Other Financing
Sources**

Interest Earned	\$ _____
Total Revenues	_____

**Expenditures and Other Financing
Uses**

Other Professional and Technical Services	_____
Total Expenditures	_____

Excess (Deficiency) of Revenues Over (Under) Expenditures before Transfers:	
Transfer From General Fund	75,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,000
Fund Balance - Beginning	_____
Fund Balance - Ending	\$ <u>75,000</u>

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

Purchase of New Pickup Truck

Revenues and Other Financing Sources

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Transfer from General Fund		\$ 75,000	\$ 75,000	\$ 75,000
Total Revenues		75,000	75,000	75,000

Expenditures and Other Financing Uses

Other Professional and Technical Services

Total Expenditures

Excess (Deficiency) of Revenues Over (Under) Expenditures

		\$ 75,000	\$ 75,000	\$ 75,000
--	--	-----------	-----------	-----------

Additional project information:

Original Authorization Cost

Additional Authorized Cost

Revised Authorized Cost

Percentage Increase over Original

Authorized Cost

Percentage Completion

Original Target Completion Date

Revised Target Completion Date

\$75,000				
N/A				
\$75,000				
N/A				
0%				
12/31/2023				
12/31/2024				

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
AS OF DECEMBER 31, 2023

Purpose	Original Issue Amount	Issue Date	Interest Rate	Planned Maturities of Lease		Balance January 1, 2023	Balance December 31, 2023
				December 31, 2023	2024		
2015 Tanker	\$ 423,976	3/20/15	2.54%	\$ 38,861	\$ 38,861	\$ 81,851	\$ 38,861
						\$ 42,990	\$ 42,990

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023		2022		
	Original Budget	Modified Budget	Actual	Variance Positive (Negative) Final to Actual	Actual
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 45,202	\$ 45,202	\$ 45,202	\$	\$ 45,201
EXPENDITURES:					
Principal Payments:					
Capital Lease	42,990	42,990	42,990		41,925
Interest Payments:					
Capital Lease	2,212	2,212	2,212		3,276
Total Expenditures	45,202	45,202	45,202		45,201
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balance, January 1					
Fund Balance, December 31	\$	\$	\$	\$	\$

EXHIBIT J-2

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Receipts:			
Fire District Taxes	\$ 222,343	\$	\$ 45,202
Operating Grant Revenue	262		
Interest and Other	1,893		
Transfers In		75,000	
	<u>224,498</u>	<u>75,000</u>	<u>45,202</u>
Disbursements:			
Operating Budget Appropriations	110,425		
Prepaid Insurance	16,992		
Debt Service			45,202
2022 LOSAP Contribution	2,000		
Prior Year Accounts Payable	11,509		
Transfers Out	75,000		
	<u>215,926</u>		<u>45,202</u>
Increase (Decrease) in Cash	8,572	75,000	
Cash at Beginning of Year	212,446		
Cash at End of Year	<u>\$ 221,018</u>	<u>\$ 75,000</u>	<u>\$</u>

See Notes to Financial Statements

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 2
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023
(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, 2023 and have issued our report thereon dated April 19, 2024. 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 19, 2024.

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 2023 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.

REPORTABLE CONDITIONS AND OTHER FINDINGS

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.

Finding No. 2023 - 1

Criteria

Bank account balances should be reconciled to the general ledger on a monthly basis.

Condition

While a bank reconciliation was prepared for the period ending December 31, 2023, it was not in agreement with the District's general ledger.

Context

The December 31, 2023 bank reconciliation did not include nine outstanding checks reflected in the general ledger.

Effect

The cash balance reflected in the general ledger was not in agreement with the December 31, 2023 bank reconciliation by \$8,060.

Cause

The checking bank account was reconciled prior to the entry of final disbursements in to the general ledger of the District.

Recommendation

Bank reconciliations should be prepared on a monthly basis and agreed to balances in the general ledger.

Views of responsible officials and planned corrective actions:

The District agrees with the recommendation.

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness (es) identified? _____ yes X no

2) Significant deficiencies identified? X yes _____ no

Noncompliance material to basic financial statements noted? _____ yes X no

PRIOR YEAR AUDIT FINDINGS

None

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.

A handwritten signature in black ink, appearing to read "Raymond Colavita", written in a cursive style.

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