

COMMERCIAL TOWNSHIP
FIRE DISTRICT NO. 3
COUNTY OF CUMBERLAND
REPORT OF AUDIT
DECEMBER 31, 2019

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3

COUNTY OF CUMBERLAND

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COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3

COUNTY OF CUMBERLAND

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COMMERCIAL TOWNSHIP

FIRE DISTRICT NO. 3

ROSTER OF OFFICIALS

The following officials were in office during 2019:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF SURETY BOND</u>
<u>Board of Commissioners</u>		
James D'Ambrosio Jr.	Chairman	(A)
Larry Coffman Sr.	Treasurer	(A)
James D'Ambrosio III	Secretary	(A)
David Carangi	Commissioner	(A)
William Bitting	Commissioner	(A)

(A) VFIS provides blanket employee dishonesty coverage for limited amount of \$100,000.

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association
Certified Public Accountants*

991 S. Black Horse Pike
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Williamstown, NJ 08094

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INDEPENDENT AUDITOR'S REPORT

President and Members of the
Commercial Township Fire District No. 3
County of Cumberland
Laurel Lake, 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. 3, in the County of Cumberland, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the 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 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, 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. 3, County of Cumberland, State of New Jersey, as of December 31, 2019, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management Discussion and Analysis on pages 6 through 11 along with budgetary comparison information on pages 32 through 33, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements. 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 18, 2020 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant
April 18, 2020

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

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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. 3
County of Cumberland
Laurel Lake, New Jersey

We have audited the financial statements of the governmental activities and each major fund of the Commercial Township Fire District No. 3, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commercial Township Fire District No 3's basic financial statements and have issued our report thereon dated April 18, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, New Jersey Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatement on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, additional 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 instance 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 18, 2020

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
COUNTY OF CUMBERLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
UNAUDITED**

As management of the Commercial Township Fire District No. 3, we offer readers of the Fire District's financial statements this narrative overview and analysis of our financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements and other 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. 3 exceeded its liabilities at the close of the most recent year by \$276,983, which constitutes Net Position.
- As of the close of the current year, the Fire District's governmental funds reported ending fund balances of \$15,779, a decrease of \$739,819 in comparison with the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commercial Township Fire District No. 3'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 Fire District's finances, in a manner similar to a private sector business, on a 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. 3'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. 3 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 Fire District, 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. 3 constitute one fund type, which is the governmental fund type.

Governmental Funds. All of the Commercial Township Fire District No. 3'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 fire-fighting/suppression services in the near future.

Commercial Township Fire District No. 3 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.

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 on Exhibit B-3.

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

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

District-wide Financial Analysis

The Net Position reported each year, and amount of change thereon, provide a useful indicator of a government's financial position. In the case of the Commercial Township Fire District No. 3, Assets totaled \$870,109 and Liabilities totaled \$593,126 at the close of the most recent year.

A portion of the Fire District's Net Position reflects its investment in capital assets (i.e., land buildings, equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide fire-fighting/suppression services to the citizens of the Commercial Township Fire District No. 3. Consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operating sources, since the capital assets themselves cannot be used to liquidate those liabilities.

Statement of Net Position

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

**Table 1
Net Position**

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 74,567	\$ 809,254
Capital Assets, Net	795,542	125,893
	<u>870,109</u>	<u>935,147</u>
Liabilities		
Accounts Payable	2,091	3,359
Due to LOSAP Fund	15,300	13,600
Accrued Interest Payable	3,105	472
Noncurrent Liabilities:		
Reserve for LOSAP	41,397	36,697
Capital Lease:		
Due Within One Year	88,159	109,336
Due Beyond One Year	443,074	531,233
	<u>593,126</u>	<u>694,697</u>
Total Liabilities	593,126	694,697
Net Position	<u><u>276,983</u></u>	<u><u>240,450</u></u>
Analysis of Net Position		
Invested in Capital Assets, Net of Related Debt	264,309	85,221
Restricted for:		
Future Capital Outlay	911	911
Debt Service	179	179
Unrestricted	11,584	154,139
	<u>11,584</u>	<u>154,139</u>
Total Net Position	\$ <u><u>276,983</u></u>	\$ <u><u>240,450</u></u>

Net position of governmental activities increased \$36,533 from the previous year, resulting from decreases in total assets and total liabilities of \$65,038 and \$101,571 respectively.

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

Table 2
Statement of Activities

	2019	2018
Expenses:		
Operating Expenses		
Administration	\$ 23,865	\$ 31,335
Cost of Operations and Maintenance	285,074	283,706
LOSAP Contribution	20,000	20,000
Interest on Capital Lease	25,574	3,092
Depreciation Expense	60,607	48,837
Total Program Expenses	415,120	386,970
Taxes:		
Property Taxes, Levied for General Purpose	308,456	391,959
Taxes Levied for Debt Service	132,277	34,073
Other Miscellaneous Income	10,059	9,173
Operating Grant Revenue	861	861
Total General Revenues	451,653	436,066
Decrease in Net Position	36,533	49,096
Net Position, January 1	240,450	191,354
Net Position, December 31	\$ 276,983	\$ 240,450

Taxes constituted 98% of Fire District revenues for the year 2019.

Administrative expenses were 6% of the Fire District's 2018 expenses, while cost of operations and maintenance comprised 69%. The remaining 26% of the District's total expenses were non-operating costs.

Financial Analysis of the Government Funds

As previously stated, Commercial Township Fire District No. 3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. 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. 3's financing requirements. In particular, unreserved 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. 3's governmental funds reported combined ending fund balances of \$15,779, representing a \$739,819 decrease from the prior year. The general fund's ending fund balance of \$15,600, is comprised of \$911 restricted for future capital outlay, \$6,800 assigned to support the 2020 operating budget and \$7,889 unassigned. The debt service fund has a restricted fund balance of \$179. The general fund is the main operating fund utilized and possessing the resources of the Fire District.

Key factors of operations are as follows:

- General Fund Expenditures exceeded Revenues by \$18,382.
- The General Fund transferred \$121,540 to the Capital Projects Fund for the purchase of an Ambulance.
- The Capital Projects Fund purchased two vehicles during 2019, totaling \$721,437.
- Operating Expenditures increased \$2,717 from the prior period.
- Total Revenue increased \$15,587 from the prior period.

Capital Projects Fund

During 2019, the Capital Projects Fund purchased one Fire Truck and one Ambulance, in the amount of \$599,897 and \$121,540, respectively. There are no open capital projects within the Capital Projects Fund, as of December 31, 2019.

General Fund Budgetary Highlights

The original operating budgetary estimate of \$339,206 and debt service estimate of \$132,277 were the same as the final budget for planned expenditure appropriations. The final budgetary basis expenditure appropriation estimate exceeded the final budgetary basis revenue by \$30,750, which represents the amount of fund balance necessary to support 2019 appropriations.

The original budgetary revenue estimate of \$308,456 was the same as the final budget. This amount was made up entirely of property taxes (local tax levy). The District also levied taxes for debt service during 2019, in the amount of \$132,277.

Capital Assets and Debt Administration

Commercial Township Fire District No. 3's net investment in capital assets for its governmental activities as of December 31, 2019 amounts to \$795,542. This investment in capital assets includes land, buildings and improvements, vehicles and firefighting equipment, as shown in Note 7 to the Financial Statements. The total cost of the capital assets was \$2,408,719 and the balance in accumulated depreciation was \$1,613,177.

**CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)**

	<u>2019</u>	<u>2018</u>
Land, Building & Improvements	\$ 32,228	\$ 39,739
Furniture and Fixtures	7,355	
Equipment	36,050	53,534
Vehicles	719,909	32,620
Total Capital Assets	<u>\$ 795,542</u>	<u>\$ 125,893</u>

Long-Term Obligations

The District currently has two capital lease agreements outstanding. As of December 31, 2019, the principal balance remaining on these two leases amounted to \$531,233, of which, \$88,159 is due in 2020.

Economic Factors and Subsequent Years Budget

For the 2019 year Commercial Township Fire District No. 3 was able to sustain its budget through the district tax levy and other sources of revenue.

The Board of Fire Commissioners adopted the 2020 budget on January 12, 2020 and the voters subsequently approved the budget at the annual fire district election held on February 15, 2020.

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

Contacting the Fire District's Financial Management

This financial report is designed to provide our patrons, citizens, taxpayers, and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact, James D'Ambrosio Jr., Chairman of Commercial Township Fire District No. 3, Commercial Township, NJ at 5436 Battle Lane, Millville, NJ 08332.

DISTRICT-WIDE FINANCIAL STATEMENTS

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 74,567
Capital Assets, net (Note 7)	795,542
Total Assets	<u>870,109</u>
LIABILITIES	
Accounts Payable	2,091
Due to LOSAP Trust Fund	15,300
Accrued Interest Payable	3,105
Noncurrent Liabilities:	
Reserve for LOSAP	41,397
Capital Lease:	
Due Within One Year (Note 8)	88,159
Due Beyond One Year (Note 8)	443,074
Total Liabilities	<u>593,126</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt Restricted	264,309
Reserve for Future Capital Outlay	911
Debt Service Fund	179
Unrestricted	11,584
Total Net Position	<u>\$ 276,983</u>

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

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Governmental Activities</u>
Expenses:	
Operating Appropriations:	
Administration	\$ 23,865
Cost of Operations and Maintenance	285,074
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	20,000
Interest on Long Term Debt	25,574
Depreciation	60,607
Total Program Expenses	<u>415,120</u>
Program Revenues:	
Operating Grants and Contributions	861
Net Program Expenses	<u>414,259</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	308,456
Taxes Levied for Debt Service	132,277
Miscellaneous Revenues	10,059
Total General Revenues	<u>450,792</u>
Increase (Decrease) in Net Position	36,533
Net Position, January 1	<u>240,450</u>
Net Position, December 31	<u>\$ 276,983</u>

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

FUND FINANCIAL STATEMENTS

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 74,388	\$ 179	\$ 74,567
Total Assets	\$ 74,388	\$ 179	\$ 74,567
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 2,091	\$	\$ 2,091
Due to LOSAP Trust Fund	15,300		15,300
Reserve for LOSAP	41,397		41,397
Total Liabilities	58,788		58,788
Fund Balances:			
Restricted:			
Reserve for Future Capital Outlay	911		911
Debt Service Fund		179	179
Assigned:			
Designated for Subsequent Years Expenditures	6,800		6,800
Unassigned, Reported in:			
General Fund	7,889		7,889
Total Fund Balances	15,600	179	15,779
Total Liabilities and Fund Balances	\$ 74,388	\$ 179	

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 \$2,408,719 and the accumulated depreciation is \$1,613,177. (Note 7)

795,542

Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.

(3,105)

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 8).

(531,233)

Net position of governmental activities

\$ 276,983

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

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Non Budgetary Revenues	\$ 10,059	\$	\$	\$ 10,059
Operating Grant Revenue	861			861
Amount to be Raised by Taxation	308,456		132,277	440,733
Total Revenues	<u>319,376</u>		<u>132,277</u>	<u>451,653</u>
EXPENDITURES				
Operating Appropriations:				
Administration	23,865			23,865
Cost of Operations and Maintenance	293,893			293,893
Capital Leases Principle			109,336	109,336
Capital Leases Interest			22,941	22,941
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	20,000			20,000
Capital Outlay		721,437		721,437
Total Expenditures	<u>337,758</u>	<u>721,437</u>	<u>132,277</u>	<u>1,191,472</u>
Excess (Deficiency) of Revenues Over Expenditures	(18,382)	(721,437)		(739,819)
OTHER FINANCING SOURCES (USES)				
Transfers	(121,540)	121,540		
Total Other Financing Sources and Uses	(121,540)	121,540		
Net Change in Fund Balances	(139,922)	(599,897)		(739,819)
Fund Balance—Jan 1	155,522	599,897	179	755,598
Fund Balance—Dec 31	<u>\$ 15,600</u>	<u>\$</u>	<u>\$ 179</u>	<u>\$ 15,779</u>

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

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Total net change in fund balances - governmental funds (from B-2) \$ (739,819)

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	\$ (60,607)	
Capital Outlay	730,256	
	669,649	

Repayment of capital 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. 109,336

In the Statement of Activities, interest on Capital Leases is accrued, regardless of when it is due. (2,633)

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 assets.
Capital lease proceeds

Change in net assets of governmental activities (A-2) \$ 36,533

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Description of Reporting Entity** - Fire District No. 3 of Commercial Township is a political subdivision of the Township of Commercial, Cumberland County, New Jersey. 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 known as the Laurel Lake area.

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**

Basis of Presentation: 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. 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, 2019
(CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Fire District's major governmental fund:

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 firefighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Measurement Focus:

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

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds, labeled as Exhibit B-3.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting: Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment 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. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specific purpose, and expenditures requirements, in which the resources are provided to the Fire District on a reimbursement basis. Under the modified accrual basis, grants, fees, and rental revenue sources are considered to be both measurable and available at year-end.

Expenses / Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Amounts reported under "final budget" in Exhibits C-1 for operations include modifications, if any, to the adopted budget that were made during the year as approved by the Board of Fire Commissioners.

Exhibit C-2 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.

- e. **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, if any, for which the Fire District has received advances are reflected in the balance sheet as unearned revenues at year-end.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e. **Encumbrances (Continued)** - 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.
- f. **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.

Additionally, the Fire District follows the guidelines which require it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposits with a failed banking institution in New Jersey.

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.

- g. **Inventories and Prepaid Expenses** - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method. The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond the year end.

- h. **Interfunds** - Interfund receivables and payables, if any, 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. These amounts are eliminated in the Statement of Net Position.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- i. **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	20 - 50 Years
Vehicles	5-10 Years
Furniture and Firefighting Equipment	5 Years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting 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.

- j. **Long-Term Obligations** - Long-term debt is recognized as a liability in the Fund Financial Statements 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.
- k. **Unearned Revenue** - Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned.
- l. **Fund Equity and Reserves** - Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. These include legally restricted appropriations and future capital outlays, designated for future use of financial resources. Unreserved Fund Balances represent that portion of Fund Balance that is available for appropriation in future periods. Open Encumbrances represent reserve expenditures that are not complete but will be satisfied within the next accounting period.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

- p. **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 polices 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Fund Balance (Continued)

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.

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 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.

q. New Accounting Standards:

The District has adopted the following GASB statements:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. New Accounting Standards (Continued):

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

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

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

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

2. CASH AND CASH EQUIVALENTS

- a. **Custodial Credit Risk** - All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act which are classified as credit risk per N.J.S. 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 units deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act.

The Fire District designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of December 31, 2019, the District's bank balance of \$77,512 was exposed to custodial credit risk as follows:

Insured	\$ 77,512
Uninsured and collateralized with securities held by pledging financial institutions	<u>77,512</u>
	<u>\$ 77,512</u>

- b. **Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length for most investments.

- c. **Credit Risk** - New Jersey Statutes 40A:5-15.1(a) limits District investments to those specified in the Statutes. The type of allowable investments are bonds of the United States of America or of the local unit or school districts of which the local unit is a part of, obligations of federal agencies not exceeding 397 days, the State of New Jersey Cash Management Plan, local government investment pools, or repurchase of fully collateralized securities.
- d. **Concentration of Credit Risk** - The District places no limit on the amount the District may invest in any one issuer.
- e. **Unaudited Investments** - As more fully described in Note #10, the District has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in N.J.S.A. 43:15B-1 et. seq. except that all investments are retained in the name of the District. All investments are valued at fair market value. In accordance with N.J.A.C. 5:30-14.37 the investments are maintained by Lincoln Financial Advisors, which is an authorized provider approved by the Division of Local Government Services. Any information available on the investments is with the Lincoln Financial Group, who is the approved plan agent.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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 Rate
2019	\$ 135,079,500	\$ 440,733	\$ 0.327
2018	136,468,700	426,032	0.313
2017	136,632,100	411,151	0.301
2016	136,902,700	406,149	0.297
2015	138,643,650	394,451	0.285

4. LITIGATION

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

5. 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.

6. FUND BALANCES APPROPRIATED

The following presents the fund balance as of the end of the last five years and the amount utilized in the subsequent year's budget:

Year	Restricted and Assigned Fund Balance	Unassigned Fund Balance	Utilization in Subsequent Budget	
			Unrestricted	Restricted
2019	\$ 7,890	\$ 7,889	\$ 6,800	
2018	631,737	123,861	30,750	
2017	67,377	30,792	16,287	50,000
2016	105,911	34,833	28,000	77,000
2015	70,211	65,078	27,300	

Of the \$15,779 in fund balance, \$179 is restricted for debt service, \$6,800 is assigned to support the 2020 adopted budget, \$911 is restricted for future capital outlay and \$7,889 remains unassigned for general use.

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

7. CAPITAL ASSETS

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

	Balance December 31, 2018	Additions	Adjustment	Balance December 31, 2019
Land	\$ 5,000	\$	\$	\$ 5,000
Work in Progress	5,000		(5,000)	
Total Capital Assets not Being Depreciated	10,000		(5,000)	5,000
Buildings and Improvements	121,866			121,866
Furniture & Fixtures	15,893	7,480		23,373
Vehicles	729,027	721,437	5,000	1,455,464
Equipment	801,677	1,339		803,016
Total Capital Assets Being Depreciated	1,668,463	730,256	5,000	2,403,719
Less Accumulated Depreciation:				
Buildings and Improvements	(92,127)	(2,511)		(94,638)
Furniture & Fixtures	(15,893)	(125)		(16,018)
Vehicles	(696,407)	(39,148)		(735,555)
Equipment	(748,143)	(18,823)		(766,966)
Total Accumulated Depreciation	(1,552,570)	(60,607)		(1,613,177)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	115,893	669,649		790,542
Capital Assets, Net	\$ 125,893	\$ 669,649	\$	\$ 795,542

* Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 60,607
	<u>\$ 60,607</u>

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

8. LONG-TERM DEBT

During the year ended December 31, 2009, the Fire District refinanced its leasing agreement and included additional lease proceeds to fund the acquisition of a new ambulance, in the amount of \$103,900 and a new brush truck, in the amount of \$146,016. The following changes occurred in long-term obligations:

	Principal Outstanding 1/1/2019	Increases	Decreases	Principal Outstanding 12/31/2019	Due Within One Year	Due After One Year
Obligations under Capital Lease	\$ 640,569		\$ 109,336	\$ 531,233	\$ 88,159	\$ 443,074

Capital Leases Payable – The Fire District is leasing a custom pumper fire truck, an ambulance and additional equipment for the trucks under a capital lease. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum leases payments at December 31, 2019.

Year Ending December 31,	Principal	Interest	Total
2020	\$ 8,389	\$ 130	\$ 8,519
Total	\$ 8,389	\$ 130	\$ 8,519

During the year ended December 31, 2018, the Fire District entered into a lease agreement for a Spartan Pumper/Tanker. The following is a schedule of the future minimum lease payments under the capital lease.

Year Ending December 31,	Principal	Interest	Total
2020	\$ 79,770	\$ 18,434	\$ 98,204
2021	82,583	15,621	98,204
2022	85,494	12,710	98,204
2023	88,508	9,696	98,204
2024	91,629	6,575	98,204
2025	94,860	3,344	98,204
Total	\$ 522,844	\$ 66,380	\$ 589,224

9. SUBSEQUENT EVENTS

None

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

10. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

On February 13, 2000, the voters of Commercial Fire District #3 approved the Resolution adopted to establish a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This Plan is made available to all bona fide eligible volunteers who are performing qualified services, which are defined as firefighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 (e) (11) (13) of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document.

The first year of eligibility for entrance into the Plan by qualified volunteers was calendar 2000. Amounts deferred under section 457 Plans must be held in trust for the exclusive benefit of participating volunteers and not be accessible by the Fire District or its Creditors.

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

The following description of the LOSAP of Commercial Fire District #3 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. 3 who have performed sufficient services to earn a number of “points” as defined in a resolution adopted by the Board of Fire Commissioners of Fire District No. 3 on February 13, 2000 and approved by the voters of the District as a public question at the annual fire commissioners’ election on February 13, 2000.

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

2019 - \$1,742

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

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

Participant Loans – Loans are not permitted under the Program.

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

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

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

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

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

Withdrawals – The plan provides for hardship withdrawals.

Contribution Receivable – As set forth in the resolution adopted by District, the Plan Sponsor is obligated to make contributions for participants in the plan who meet the service requirements in any qualifying year. In 2020, the District determined its 2019 LOSAP contribution to be \$15,300. This amount has been accrued and is reflected in the Statement of Net Position.

Investments – All investment balances at December 31, 2019 are certified by Lincoln Financial Group and are valued at market value as stated by Lincoln Financial Group. As of December 31, 2019, the fair market value of the plan investments was \$107,859, which includes the 2018 District contribution of \$13,600.

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

Reserve for LOSAP as of January 1, 2019	\$ 36,697
Increased by:	
Transferred from General Fund	20,000
	<hr/>
	56,697
Decreased by:	
2019 LOSAP Contribution	15,300
	<hr/>
Reserve for LOSAP as of December 31, 2019	<u>\$ 41,397</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. 3 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.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH TOTALS FOR 2018)

	2019			Variance	2018
	Original Budget	Modified Budget	Actual	Favorable (Unfavorable)	Actual
Revenues					
Revenues and Other Financing Sources:					
Operating Grant Revenue:					
Supplemental Fire Services Program	\$	\$	\$ 861	\$ 861	\$ 861
Amount to be Raised by Taxation to Support the District Budget	308,456	308,456	308,456		391,959
Total Anticipated Revenue	308,456	308,456	309,317	861	392,820
Non-Budgetary Revenues:					
Interest on Investments and Deposits			10,059	10,059	109
Miscellaneous Revenue					9,064
Total Revenues	\$ 308,456	\$ 308,456	\$ 319,376	\$ 10,920	\$ 401,993
Expenditures					
Operating Appropriations:					
Administration:					
Stipend Payments to Commissioners	\$ 16,000	\$ 12,800	\$ 12,800	\$	\$ 16,000
Office Expense	3,000	3,128	3,128		3,361
Legal	2,500	358	358		4,195
Professional Services	7,000	7,098	7,098		7,098
Advertising	600	285	285		481
Elections	500	253	196	57	200
Total Administration	29,600	23,922	23,865	57	31,335
Cost of Operations and Maintenance:					
Membership and Dues	500	2,369	2,369		735
Building - Maintenance and Repairs	23,500	29,546	28,155	1,391	25,551
Equipment - Maintenance and Repairs	29,000	26,783	26,783		35,111
Inspections & Certifications	6,000	2,975	2,975		3,718
Fuel	11,500	14,120	14,120		12,175
Materials and Supplies	5,000	3,986	3,986		2,950
Rental and Leases	57,689	57,689	57,689		57,689
Miscellaneous Expenses	1,117	561	561		
Training and Education	8,000	7,285	7,285		4,110
Medical	1,500	195	195		989
Insurance	72,000	69,166	69,166		68,049
Utilities	10,000	12,103	12,103		9,283
Telephone	11,000	15,338	15,338		16,460
Website Maintenance	2,000	1,499	1,499		1,499
Rescue Expenses	20,000	20,869	20,869		19,007
EMS Contracted Services	14,000	14,000	14,000		14,000
Agreement to Fight Fires	16,800	16,800	16,800		16,800
Total Other Operating and Maintenance	289,606	295,284	293,893	1,391	288,126
Length of Service Awards (LOSAP)					
Contribution (P.L. 1997, c. 388)	20,000	20,000	20,000		20,000

See Notes to Financial Statements

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH TOTALS FOR 2018)

	2019			Variance Favorable (Unfavorable)	2018
	Original Budget	Modified Budget	Actual		Actual
Capital Appropriations					
Reserve for Future Capital Outlays	\$	\$	\$	\$	\$
Total Capital Appropriations					
Total Operating and Maintenance Expenditures	339,206	339,206	337,758	1,448	339,461
Other Financing Sources (Uses):					
Transfer to Capital Projects Fund			(121,540)	(121,540)	(5,000)
Total Other Financing Sources (Uses)			(121,540)	(121,540)	(5,000)
Excess (Deficit) of Revenue Over Expenditures	(30,750)	(30,750)	(139,922)	(109,172)	57,532
Fund Balance - Beginning of Year	155,522	155,522	155,522		97,990
Fund Balance - End of Year	\$ 124,772	\$ 124,772	\$ 15,600	\$ (109,172)	\$ 155,522

See Notes to Financial Statements

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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

	<u>General Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 319,376
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 319,376
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 337,758
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 337,758

OTHER SUPPLEMENTARY INFORMATION

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

<u>Number</u>	<u>Issue/Project Title</u>	<u>Appropriations</u>	<u>Cancelled</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance 12/31/19</u>	<u>Memo Only</u>	
				<u>Prior Year</u>	<u>Current Year</u>		<u>Encumbrances</u>	<u>Available Balance</u>
2018-1	Purchase of Fire Truck and Ambulance	\$ 726,437	\$	\$ 5,000	\$ 721,437	\$	\$	

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES AND EXPENDITURES
SUMMARY SCHEDULE OF PROJECT EXPENDITURES

Revenues and Other Financing Sources

Transfer from General Fund	\$ 121,540
	<hr/>
Total Revenues	121,540
	<hr/>

Expenditures and Other Financing Uses

Purchase of Vehicles	721,437
	<hr/>
Total Expenditures	721,437
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(599,897)
Fund Balance - Beginning	599,897
	<hr/>
Fund Balance - Ending	\$ <hr/> <hr/>

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Capital Lease Proceeds	\$ 599,897	\$	\$ 599,897	\$ 599,897
Transfer from General Fund	5,000	121,540	126,540	126,540
Total Revenues	604,897	121,540	726,437	726,437
Expenditures and Other Financing Uses				
Purchase of Fire Truck		599,897	599,897	599,897
Purchase of Ambulance		121,540	121,540	121,540
Professional Services	5,000		5,000	5,000
Total Expenditures	5,000	721,437	726,437	726,437
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 599,897	\$ (599,897)	\$	\$

Additional project information:

Project Number	N/A
Grant Date	N/A
Original Authorization Cost	\$726,437
Additional Authorized Cost	N/A
Revised Authorized Cost	\$726,437
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100%
Original Target Completion Date	11/23/2019
Revised Target Completion Date	11/23/2019

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
SCHEDULE OF CAPITAL LEASE PAYABLE
DECEMBER 31, 2019

<u>Description</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding December 31, 2018</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding December 31, 2019</u>
Equipment Lease Agreement	6.231%	\$ 528,087	\$ 40,672	\$	\$ 32,283	\$ 8,389
Spartan Pumper/Tanker	3.470%	599,897	599,897		77,053	522,844
Total Capital Lease Payable			\$ 670,917	\$	\$ 109,336	\$ 531,233

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>			Variance Positive (Negative) Final to Actual	<u>2018</u>
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 132,277	\$ 132,277	\$ 132,277	\$	\$ 34,073
EXPENDITURES:					
Principal Payments:					
Capital Lease - Equipment	32,283	32,283	32,283		30,348
Capital Lease - Firetruck	77,053	77,053	77,053		
Interest Payments:					
Capital Lease - Equipment	1,790	1,790	1,790		3,725
Capital Lease - Firetruck	21,151	21,151	21,151		
Total Expenditures	<u>132,277</u>	<u>132,277</u>	<u>132,277</u>		<u>34,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balance, January 1	179	179	179		179
Fund Balance, December 31	<u>\$ 179</u>	<u>\$ 179</u>	<u>\$ 179</u>	<u>\$</u>	<u>\$ 179</u>

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
COUNTY OF CUMBERLAND
SCHEDULE OF STATE AND FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>State Funding Department</u>	<u>State Program</u>	<u>GMIS Number</u>	<u>Grant Award Amount</u>	<u>From</u>	<u>To</u>	<u>Balance 1/1/2019</u>	<u>Receipts or Revenue</u>	<u>Expenditures</u>	<u>Balance 12/31/2019</u>
Department of Community Affairs	Supplemental Fire Services Program	8030-150-041650	\$ 861	1/1/2019	12/31/2019	\$	\$ 861	\$ (861)	\$

EXHIBIT J-2

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS**

Cash - January 1, 2019		\$	209,357
Receipts:			
District Taxes	\$	440,733	
Interest and Other		10,920	
			<hr/>
			451,653
			<hr/>
			661,010
Disbursements:			
2018 Accounts Payable		3,359	
2018 LOSAP Contribution		13,600	
Debt Service Payments		132,277	
Purchase of Ambulance		121,540	
Budget Appropriations		315,667	
			<hr/>
			586,443
			<hr/>
Cash - December 31, 2019		\$	<u>74,567</u>
<u>Analysis of Balance:</u>			
Balance per Bank in Checking		\$	77,512
Less Outstanding Checks			(2,945)
			<hr/>
		\$	<u>74,567</u>
			<hr/>

GENERAL COMMENTS SECTION

GENERAL COMMENTS

We have audited the financial statements of the Commercial Township Fire District No. 3 as of and for the year ended December 31, 2019 and have issued our report thereon dated April 18, 2020. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Commercial Township Fire District No. 3 to the extent deemed necessary to evaluate the system as required by generally accepted auditing standards.

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

The Board of Fire Commissioners of the Commercial Township Fire District No. 3 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. 3 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 18, 2020.

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

GENERAL COMMENTS (Continued)

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

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

The Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made. Our examination of expenditures revealed no instance of noncompliance with N.J.S.A 40A:11-4.

AWARD OF PURCHASES, CONTRACTS OR AGREEMENTS BY QUOTATIONS

N.J.S.A. 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 needed.

Purchase Orders/Vouchers

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

Minutes

Minutes of the meetings of the Commissioners were available, signed and appeared to be prepared on a timely basis.

Supplemental Fire Service Program

A 2019 Certification of State Aid for Commercial Township reflects \$1,871 that may be budgeted and distributed/payable to the Fire Districts in the Township. During 2019, a total of \$861 was allocated and received by the District for Supplemental Fire Service Program Aid.

**TOWNSHIP OF COMMERCIAL FIRE DISTRICT NO. 3
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Schedule of Financial Statement Findings

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.

None

STATUS OF PRIOR YEAR AUDIT FINDINGS

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Finding: 2018-1

Condition: There existed one over expenditure, which resulted in actual total expenditures exceeding total appropriations of the 2018 Adopted Budget.

Status: Resolved

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

**LENGTH OF SERVICE
AWARD PROGRAM (LOSAP)**

TOWNSHIP OF COMMERCIAL FIRE DISTRICT NO.3

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

**LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF COMMERCIAL FIRE DISTRICT NO. 3**

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www.colavita.net

To the Program Sponsor of
The Township of Commercial Fire District No. 3
Length of Service Award Program (LOSAP)

Report on the Financial Statements

We have reviewed the accompanying statement of net position available for program benefits of the Township of Commercial Fire District No. 3 Length of Service Award Program (LOSAP) as of December 31, 2019, and the related statement of changes in net position available for program benefits for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants and as required by N.J.A.C. 5:30-14.49. All information included in these financial statements is the representation of the administrator of the plan. A review consists primarily of inquiries of plan personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards of Accounting and Review Services promulgated by the Accounting and review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, CPA
Registered Municipal Accountant
April 18, 2020

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
Length of Service Award Program
Statement of Net Position Available for Program Benefits
As of December 31, 2019

	<u>2019</u>
<u>ASSETS</u>	
Investments	\$ 107,859
Fire District Contribution Receivable	<u>15,300</u>
Total Assets	<u><u>\$ 123,159</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Net Position Available for Program Benefits	<u><u>\$ 123,159</u></u>

See Accountant's Review Report and Accompanying Notes to the Financial Statements

COMMERCIAL TOWNSHIP FIRE DISTRICT NO. 3
Length of Service Award Program
Statement of Changes in Net Position Available for Program Benefits
For the Year Ended December 31, 2019

	<u>2019</u>
<u>INCREASES IN NET POSITION</u>	
Additions to Net Position Attributed to:	
District Contribution 2019	\$ 15,300
Increase in Investment Value	13,513
	<hr/>
Total Increase in Net Position	28,813
	<hr/>
<u>DECREASES IN NET POSITION</u>	
Decreases from Net Position Attributed to:	
Benefits Paid to Participants	216
Administrative Expenses	325
	<hr/>
Total Decreases in Net Position	541
	<hr/>
Net Increase in Net Position	28,272
Net Position, Beginning	94,887
	<hr/>
Net Position, Ending	\$ 123,159
	<hr/> <hr/>

See Accountant's Review Report and Accompanying Notes to the Financial Statements

**Commercial Township Fire District No. 3
Length of Service Program
Notes to Financial Statements
December 31, 2019**

Note 1: DESCRIPTION OF THE LOSAP PLAN

The Commercial Township Fire District No. 3 Length of Service Awards Program (LOSAP) was created by a Resolution, adopted by the Fire District and approved by the voters of the Laurel Lake area of the Township, at the annual election held on February 13, 2000. This was enacted pursuant to Section 457(e)(11)(13) of the Internal Revenue Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program 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.

The Program is a defined contribution program, of which the first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency service volunteers, consisting of the Volunteer Fire and Rescue Department, come from contributions made solely by the governing body of the District on behalf of those volunteers who meet the criteria of a plan created by that governing body.

If an active member meets the required years of active service, the LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount was established by statute, it is subject to periodic increases related to the consumer price index (N.J.S.A. 40A:14-185) and provided for in a resolution of the Fire District. The Division of Local Government Services issues the permitted maximum annually, which is \$1,742 for 2019. For the year ended December 31, 2019, the District elected to contribute \$1,700 per eligible volunteer into the Plan, which is within the statutory limit.

The following Program description provides general information only. Accordingly, participants should refer to the Program agreement for a more complete description of its provisions.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Contributions – The Fire District makes contributions on behalf of a participant that is a qualifying volunteer who has performed sufficient services to earn sufficient points, as defined in a resolution adopted by the Board of Fire Commissions in accordance with the following schedule:

Calls	Scheduled Events
70%-100% = 50 pts	80%-100% = 50 pts
60%-69% = 40 pts	70%-79% = 40 pts
50%-59% = 30 pts	60%-69% = 30 pts

There were no plan changes, by resolution, required during 2019.

**Commercial Township Fire District No. 3
Length of Service Program
Notes to Financial Statements
December 31, 2019**

Note 1: DESCRIPTION OF THE LOSAP PLAN (CONTINUED)

Participant Accounts – Each participant’s account reflects the cumulative amount of contributions that have been allocated to his or her 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 plan participants also have rights equal to those of the general creditors of the District, which are based on his or her share of the fair market value of the plan assets.

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.

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

Administrator - Lincoln Financial Group, an approved LOSAP provider, is the administrator of the plan. As the Program Sponsor, the District’s practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator. Since the District is not considered to be holding the assets, the LOSAP is not presented in the District’s financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of pension and other employee benefit trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and deductions are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows.

District Contributions

All 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.

**Commercial Township Fire District No. 3
Length of Service Program
Notes to Financial Statements
December 31, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Program administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fees and Costs

The Program participants pay all fees and costs related to administration of the Program.

Assets, Liabilities and Net Position

Investments - Investments are reported at fair value, as presented by the Plan Administrator.

Receivables and Payables - All collectible receivables are reported at their value. Contributions due from the District are recognized when due since the District has a legal requirement to make the contribution.

Liabilities, other than benefits, are recognized when due.

Net Position - The difference between plan assets and plan liabilities is reported as net assets available for benefits.

Custodial Credit Risk – Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the entity will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2019, the plan had invested \$107,859 of various securities held by the investment's counterparty, not in the name of the plan.

Note 3: VESTING AND BENEFIT PROVISIONS

Benefits vest after five (5) continuous years of service. Any volunteer who has already successfully completed five (5) years or more of service as an active member in good standing becomes vested at the onset of the program. Any member who has successfully completed four (4) years of service as an active member in good standing will vest after one (1) additional year of service, and so forth. New members who join after implementation of the program become vested after the completion of five (5) continuous years of active service.

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Note 4: INVESTMENTS

An investment agreement was entered into at the inception of the plan between the District and Lincoln Financial Group, who has custody of the securities of the plan and advises the District as to investment alternatives.

The investments may consist of stocks, bonds, money markets, fixed investments and guaranteed accumulation. Each participant may choose his/her allocation from among these investments. The investments are valued at market value at the end of each year and the increase/decrease is posted to the individual's account.

As of December 31, 2019, the value of the plan's investments was \$107,859 which includes the 2018 District contribution of \$13,600.

The following investments represent the net assets available for benefits:

	Value at 12/31/2019
Fixed	\$ 51,123
LVIP SSGA S&P 500 Index Fund	56,736
Total	\$ 107,859

In 2020, the District determined its 2019 LOSAP contribution to be \$15,300. This amount has been accrued and is reflected in the Statement of Net Position.

Note 5: SUBSEQUENT EVENTS

No material subsequent events have occurred as of the report date.

End of Notes to Financial Statements

**Commercial Township Fire District No. 3
Length of Service Program
December 31, 2019**

GENERAL COMMENTS

Annual Contributions

The Financial Statements in this Review entertain Fire District contributions through 2019.

Amounts contributed annually to each qualifying participant are to be paid in accordance with the point system approved in the resolution, as amended.

Where the original resolution and referendum do not entertain an automatic cost of living increase, an enabling amendment to the resolution is necessary where the cost of living increase is desired.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies any instances of noncompliance with applicable statutes and regulations governing Length of Service Award Programs disclosed during our review.

None.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the District officials and the plan administrator during the course of this review engagement.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, CPA
Registered Municipal Accountant