

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1

COUNTY OF HUNTERDON

December 31, 2022



EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1

For the Year Ended December 31, 2022

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Certified Public Accountants, PC

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Independent Auditors' Report

Board of Fire Commissioners
East Amwell Township Fire District No. 1
Hunterdon County, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of East Amwell Township Fire District No. 1, in the County of Hunterdon, State of New Jersey, as of and for the years ended December 31, 2022 and 2021, and the related Notes to the Financial Statements, which collectively comprise East Amwell Township Fire District No. 1's Basic Financial Statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the East Amwell Township Fire District No. 1, as of December 31, 2022 and December 31, 2021, and the respective changes in financial position thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the East Amwell Township Fire District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in note 16 to the financial statements, the District adopted new accounting guidance as promulgated by GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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.

In preparing the financial statements, Management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Amwell Township Fire District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the East Amwell Township Fire District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Amwell Township Fire District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Budget vs. Actual Revenues and Expenses - General Fund as identified in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of Management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of the financial reporting for placing the basic financial statements in an appropriated operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquires of Management about the methods of preparing the information and comparing the information for consistency with Management's responses to our inquires, the basis 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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards*, we have also issued our report dated August 1, 2023, on our consideration of the East Amwell Township Fire District No. 1'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 internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Amwell Township Fire District No. 1's internal controls over financial reporting and compliance.



BKC, CPAs, PC

August 1, 2023
Flemington, New Jersey

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2022

This section of the East Amwell Township Fire District No. 1 (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ending December 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

1. The District's total assets decreased 3.97% and total liabilities decreased 7.24% over the course of this year's operations. The decrease in assets is a result of the decrease in capital assets. Liabilities decreased because of the lease payable and encumbrances payable decreasing.
2. During the year, the District's revenues increased by 2.50%. This was primarily due to the increase in the local tax levy.
3. Expenses increased by 14.26%. The increase was primarily resulting from an increase in the depreciation expense.
4. Net position decreased by 1.79%. This was primarily due to the decrease in capital assets.

Using this Annual Report

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Activities and Changes in Net Position (on page 7 and 8) provide information about the activities of the District as a whole. Fund financial statements start on page 9. These statements tell how these services were financed. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The financial statements of the District as a whole begin on page 7. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Activities and Changes in Net Position report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes to them.

You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2022

Reporting the District's Most Significant Funds

Fund Financial Statements

The financial statements of the District's major funds begin on page 9. The fund financial statements provide detailed information about the most significant funds - not the District as a whole.

General Fund - Most of the District's basic services are reported in the general fund, which focuses on how money flows in and out of the funds and the balances left at year-end that are available for spending. The general fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Capital Fund - The capital fund represents money allocated for future capital expenditures.

The District as a Whole

The District's total net position decreased \$15,306 to \$840,647. Details of the changes are reflected on page 8.

Original versus Final Budget

Page 20-21 reflects the variances between the original and final budgeted amounts.

Final Budget versus Actual Results

As reflected on page 20-21, the District operated within budgetary constraints. Actual revenues were more than the final budget by \$672, while actual expenses were less than the final budget by \$61,337.

Capital Assets

At year-end, the District had \$626,707 in net capital assets, a net decrease of \$139,751 from 2021.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2022

Condensed Comparative Information

	2022	Restated 2021	Increase (Decrease)
Assets			
Current and other assets	\$ 744,443	\$ 661,374	\$ 83,069
Capital assets	626,707	766,458	(139,751)
Total assets	<u>\$ 1,371,150</u>	<u>\$ 1,427,832</u>	<u>\$ (56,682)</u>
Liabilities	<u>\$ 530,503</u>	<u>\$ 571,879</u>	<u>\$ (41,376)</u>
Net position			
Investment in capital assets	\$ 594,335	\$ 702,971	\$ (108,636)
Restricted	92,631	41,310	51,321
Unrestricted	153,861	111,672	42,009
Total net position	<u>\$ 840,647</u>	<u>\$ 855,953</u>	<u>\$ (15,306)</u>
Changes in net position			
Revenue	\$ 267,779	\$ 261,251	\$ 6,528
Expenditures	(283,085)	(247,764)	(35,321)
Changes in net position	<u>\$ (15,306)</u>	<u>\$ 13,487</u>	<u>\$ (28,793)</u>

Economic Factors and Next Year's Budget and Rates

The District's governing body considers many factors when setting the 2022 budget and tax rates including the economy, the rate of inflation and planned future capital projects. The tax rate will be \$0.040 per \$100 of assessed valuation.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the District office located at 22 County Rd. 579, Ringoes, NJ 08551.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Statements of Net Position
December 31,

	<u>2022</u>	<u>Restated 2021</u>
Assets		
Unrestricted assets		
Cash and cash equivalents	\$ 172,043	\$ 160,460
Prepaid expenses	12,390	12,390
Total unrestricted assets	<u>184,433</u>	<u>172,850</u>
Restricted assets		
Cash and cash equivalents	9,884	41,310
Certificates of deposit	82,747	-
Length of Service Award Program (LOSAP)	467,379	447,214
Total restricted assets	<u>560,010</u>	<u>488,524</u>
Capital assets		
Capital assets	1,872,486	1,880,364
Less: accumulated depreciation	<u>(1,245,779)</u>	<u>(1,113,906)</u>
Net capital assets	<u>626,707</u>	<u>766,458</u>
Total assets	<u><u>\$ 1,371,150</u></u>	<u><u>\$ 1,427,832</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 4,280	\$ 16,031
Encumbrances payable	-	21,840
Length of Service Award Program (LOSAP) contribution	26,472	23,307
Due within one year - lease payable	32,372	31,115
Long-term liabilities		
Due beyond one year - lease payable	-	32,372
Reserve Length of Service Award Program (LOSAP)	467,379	447,214
Total liabilities	<u><u>530,503</u></u>	<u><u>571,879</u></u>

See accompanying notes to financial statements.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Statements of Net Position (continued)
December 31,

	2022	Restated 2021
Net position		
Net investment in capital assets	\$ 594,335	\$ 702,971
Restricted		
Reserve for capital acquisitions	92,631	41,310
Unrestricted	153,681	111,672
Total net position	840,647	855,953
 Total liabilities and net position	 \$ 1,371,150	 \$ 1,427,832

See accompanying notes to financial statements.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Statements of Activities and Changes in Net Position
For the Years Ended December 31,

	2022	Restated 2021
Revenues		
General revenues		
Local tax levy	\$ 265,101	\$ 259,426
Supplemental Fire Services Act	1,490	1,490
Interest income	230	335
Sale of capital assets	958	-
Total revenues	267,779	261,251
Expenses		
Operating appropriations		
Administration	12,457	20,041
Cost of operations and maintenance	101,841	125,535
Length of Service Award Program (LOSAP) contribution	26,472	24,156
Depreciation expense	139,751	74,262
Interest on capital lease	2,564	3,770
Total expenses	283,085	247,764
Change in net position	(15,306)	13,487
Net position - beginning of year	855,953	842,466
Net position - end of year	\$ 840,647	\$ 855,953

See accompanying notes to financial statements.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Balance Sheets - Governmental Funds

	December 31, 2022			December 31, 2021		
	General	Capital	Total	General	Capital	Total
	Fund	Fund		Fund	Fund	
Assets						
Unrestricted assets						
Cash and cash equivalents	\$ 172,043	\$ -	\$ 172,043	\$ 160,460	\$ -	\$ 160,460
Prepaid expenses	12,390	-	12,390	12,390	-	12,390
Restricted assets						
Cash and cash equivalents	-	9,884	9,884	-	41,310	41,310
Certificates of deposit	-	82,747	82,747	-	-	-
Total assets	\$ 184,433	\$ 92,631	\$ 277,064	\$ 172,850	\$ 41,310	\$ 214,160
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 4,280	\$ -	\$ 4,280	\$ 16,031	\$ -	\$ 16,031
Encumbrances	-	-	-	21,840	-	21,840
Reserve for Length of Service						
Award Program (LOSAP)	26,472	-	26,472	23,307	-	23,307
Total liabilities	30,752	-	30,752	61,178	-	61,178
Fund balances						
Restricted fund balance						
Capital acquisitions	-	92,631	92,631	-	41,310	41,310
Designated for subsequent year's expenditures	20,000	-	20,000	20,000	-	20,000
Unassigned fund balance	133,681	-	133,681	91,672	-	91,672
Total fund balances	153,681	92,631	246,312	111,672	41,310	152,982
Total liabilities and fund balances	\$ 184,433	\$ 92,631	\$ 277,064	\$ 172,850	\$ 41,310	\$ 214,160

See accompanying notes to financial statements.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Reconciliation of Governmental Fund Position to the
District-Wide Statements of Net Position
For the Years Ended December 31,

	2022	Restated 2021
Amounts reported in the governmental activities in the Statement of Net Position are different because:		
District-wide, government fund, net position	\$ 246,312	\$ 152,982
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$1,872,486 and the accumulated depreciation is \$1,245,779 for 2022. The cost of the assets are \$1,880,364 and the accumulated depreciation is \$1,113,906 for 2021.	626,707	766,458
Long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(32,372)	(63,487)
Total net position	\$ 840,647	\$ 855,953

See accompanying notes to financial statements.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Statements of Revenue, Expenses, and Changes
in Fund Balances - Governmental Funds
For the Years Ended

	December 31, 2022			December 31, 2021		
	General Fund	Capital Fund	Total	General Fund	Capital Fund	Total
Revenues						
Local sources						
Local tax levy	\$ 265,101	\$ -	\$ 265,101	\$ 259,426	\$ -	\$ 259,426
Supplemental Fire Services Act	1,490	-	1,490	1,490	-	1,490
Interest income	230	-	230	335	-	335
Sale of capital assets	958	-	958	-	-	-
Total revenues	267,779	-	267,779	261,251	-	261,251
Expenses						
Operating appropriations						
Administration	12,457	-	12,457	20,041	-	20,041
Operations and maintenance	101,841	-	101,841	125,535	-	125,535
Length of Service						
Award Program (LOSAP)	26,472	-	26,472	24,156	-	24,156
Capital acquisitions	-	-	-	-	166,883	166,883
Capital lease						
Principal	31,115	-	31,115	29,908	-	29,908
Interest	2,564	-	2,564	3,770	-	3,770
Total expenses	174,449	-	174,449	203,410	166,883	370,293
Excess (deficit) of revenues over (under) expenditures	93,330	-	93,330	57,841	(166,883)	(109,042)
Other financing sources (uses)						
Transfers in	-	51,321	51,321	-	51,321	51,321
Transfers out	(51,321)	-	(51,321)	(51,321)	-	(51,321)
Total other financing sources (uses)	(51,321)	51,321	-	(51,321)	51,321	-
Net change in fund balance	42,009	51,321	93,330	6,520	(115,562)	(109,042)
Fund balances - beginning of year	111,672	41,310	152,982	105,152	156,872	262,024
Fund balances - end of year	\$ 153,681	\$ 92,631	\$ 246,312	\$ 111,672	\$ 41,310	\$ 152,982

See accompanying notes to financial statements.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Reconciliation of Statements of Revenues, Expenditures, and Changes
to the District-Wide Changes of Net Position
For the Years Ended December 31,

	2022	2021
Total net changes in fund balances - governmental fund	\$ 93,330	\$(109,042)
<p>Repayment of leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statements of Net Position and are not reported in the Statements of Activities.</p>		
Lease principal payments	31,115	29,908
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital outlays in the period and capital outlays exceeds depreciation in the prior period:</p>		
Capital acquisitions	-	166,883
Depreciation expense	(139,751)	(74,262)
Change in net position of governmental activities	\$(15,306)	\$ 13,487

See accompanying notes to financial statements.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

Nature of activities

The East Amwell Township Fire District No. 1 (the District) is a political subdivision of the Township of East Amwell, Hunterdon County, New Jersey. A five-member Board governs the District. Members are elected annually on a rotating basis to three-year terms. The District provides fire protection, prevention, safety and education services to the Township of East Amwell.

Financial reporting/principles of accounting

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to Governmental Units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The implementation of GASB has created additional statements, schedules, reports and notes disclosures as follows:

- Financial statements are prepared using accrual accounting methods, including recording of depreciation on capital assets and recording those assets net of accumulated depreciation.
- The basic financial statements include District-wide Statements and Fund Financial Statements, as explained in the following note disclosures:

District-wide Statements: The Statements of Net Position and the Statements of Activities display information about the District. The District activities are financed through taxes. The government-wide financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the cash flows take place.

Fund Financial Statements: The fund financial statements provide information about the District's activities, which are reported in the general fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. Expenditures are recorded when the related fund liabilities are incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

General Fund: This is the District's operating fund. It accounts for all financial resources of the District except those required to be accounted for in other funds.

Capital Fund: This fund accounts for expenditures for acquisitions of capital assets.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Budget and budgetary accounting

Annual budgets are prepared each year for the operations of the District. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, and the State of New Jersey. The budgets are then voted upon by the public. Budget amendments are passed on an as-needed basis, and a balanced budget is required. Appropriations lapse at the end of the year, unless encumbered.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost. It is the District's policy to capitalize assets with costs in excess of \$5,000 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Trucks and vehicles	20 years
Firefighting equipment	5 - 10 years

Income taxes

The District, under existing statute, is not required to file tax returns. Accordingly, no provision for income taxes has been made in the financial statements.

Restricted assets

Certain assets of are classified as restricted assets because their use is restricted for use of capital acquisitions.

Note 2 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, cash and certificates of deposit in banks.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the Laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 2 - Deposits and cash equivalents and investments (continued)

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the 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 savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the Authority relative to the happening of a future condition.

As of December 31, 2022 and 2021, the District’s bank balances were exposed to custodial credit risk as follows:

	2022	2021
Deposits insured by the FDIC	\$ 250,000	\$ 201,950
Deposits insured by the GUDPA	14,697	-
Total bank balances	\$ 264,697	\$ 201,950

The District’s carrying (Statements of Net Position) amounts were \$264,674 and \$201,770 for December 31, 2022 and 2021, respectively.

Note 3 - Levied taxes

The total tax levied by the Township of East Amwell to fund the operations of the District for the years ended December 31, 2022 and December 31, 2021 was \$265,101 and \$259,426, respectively. The tax rate per \$100 of assessed valuation for 2022 was \$0.040, based on the assessed valuation of \$673,288,790. The tax rate per \$100 of assessed valuation for 2021 was \$0.041, based on the assessed valuation of \$672,503,140.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 4 - Capital assets

A summary of changes in capital assets and accumulated depreciation at December 31, 2022 and 2021 is as follows:

<u>December 31, 2022</u>	Restated Beginning Balance	Additions	Disposals	Ending Balance
Trucks and vehicles	\$ 1,676,666	\$ -	\$ -	\$ 1,676,666
Firefighting equipment	203,698	-	7,878	195,820
Total capitalized assets	1,880,364	-	7,878	1,872,486
Accumulated depreciation	(1,113,906)	(139,751)	(7,878)	(1,245,779)
Net capital assets	<u>\$ 766,458</u>	<u>\$ (139,751)</u>	<u>\$ -</u>	<u>\$ 626,707</u>

<u>December 31, 2021</u>	Beginning Balance	Additions	Disposals	Ending Balance
Construction in progress	\$ -	\$ 166,883	\$ 166,883	\$ -
Deposit on truck	250,000	-	250,000	-
Trucks and vehicles	1,259,783	416,883	-	1,676,666
Firefighting equipment	203,698	-	-	203,698
Total capitalized assets	1,713,481	583,766	416,883	1,880,364
Accumulated depreciation	(799,936)	(74,262)	-	(874,198)
Transfers	-	(416,883)	(416,883)	-
Net capital assets	<u>\$ 913,545</u>	<u>\$ 92,621</u>	<u>\$ -</u>	<u>\$ 1,006,166</u>

Note 5 - Lease payable

At December 31, 2022 and December 31, 2021, lease payable consisted of the following:

	<u>2022</u>	<u>2021</u>
On March 6, 2018, the District entered into a lease-purchase agreement bearing interest at 4.03% with Republic First National Corporation to finance the purchase of a new fire apparatus for \$359,000, less a down-payment of \$200,000, due in five annual installments of \$33,679, including interest, beginning March 1, 2019, through March 1, 2023. The lease is secured by the fire apparatus.	\$ 32,372	\$ 63,487
Less: current maturities of lease	32,372	31,115
Lease, net of current maturities	<u>\$ -</u>	<u>\$ 32,372</u>

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 5 - Lease payable (continued)

The debt service requirements as of December 31, 2022, including interest are as follows:

	Principal	Interest	Total
2023	\$ 32,372	\$ 1,307	\$ 33,679

Note 6 - 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past two years.

Note 7 - Rental charges

The District contracts with the Volunteer Fire Company on an annual basis for rental of building space. The total charges for the year ended December 31, 2022 and December 31, 2021 were \$9,000 and \$9,000, respectively.

Note 8 - Length of Service Award Program

The voters of the District approved the establishment of a Length of Service Award Program (LOSAP) Deferred Compensation Plan on September 15, 1999. The establishment of this LOSAP complies with New Jersey Public Law 1997, Chapter 388.

The LOSAP Plan (the Plan) provides tax deferred income benefits to active volunteer firefighters and is administered by Variable Annuity Life Insurance Company (Plan Administrator), a State of New Jersey approved length of service awards program provider. 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. The tax deferred income benefits for volunteers come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of the Plan created by that governing body.

The contributions from the District to the Plan, and the related earnings, are not irrevocable, and such funds are not legally protected from the creditors of the District. These funds, however, are not available for funding the operations of the District. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

For qualified participants, the District contributed \$26,472 and \$24,156 for the year ended December 31, 2022 and December 31, 2021, respectively.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 8 - Length of Service Award Program (continued)

The District uses a fair value framework established by GAAP. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies used for the annuity funds are based on the current market value of the underlying assets of the funds.

The methods described above may produce a fair value calculation that may not be indicative of new realizable value or reflective of future fair values. Furthermore, while the Plan's Administrator and Management believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 8 - Length of Service Award Program (continued)

The following table sets forth by level, within fair value hierarchy, the Plan's assets at fair value as of December 31:

	2022		
	Level 1	Level 2	Level 3
Variable Annuity Funds	\$ -	\$ 467,379	\$ -
	2021		
	Level 1	Level 2	Level 3
Variable Annuity Funds	\$ -	\$ 447,214	\$ -

Note 9 - Restatement of prior year net position

During the fiscal year ended December 31, 2022, the District has determined a restatement of the prior year net position is necessary. Due to implementation of GASB 87, *Leases*, adjustments to the inventory report value and useful lives are necessary. The following is a summary of the District's restatement of net position as of December 31, 2021.

	Governmental Activities
Net position, December 31, 2021	\$ 1,095,661
Change in accumulated depreciation	239,708
Net position, December 31, 2021, as restated	\$ 855,953

Note 10 - Subsequent events

The District's Management has determined that no material events or transactions occurred subsequent to December 31, 2022 and through August 1, 2023, the date of the District's financial statement issuance, which require additional disclosure in the District's financial statements other than the note above.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Budget vs. Actual Revenues and Expenses - General Fund
For the Years Ended December 31,

	2022				2021			
	Unaudited Budget	Final Budget	Actual	Variance Final Budget	Unaudited Budget	Final Budget	Actual	Variance Final Budget
Revenues								
Fund balance utilized								
Unrestricted fund balance utilized	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total fund balance utilized	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Operating revenues								
Local tax levy	264,617	264,617	265,101	484	259,429	259,429	259,426	(3)
Supplemental Fire Services Act	1,490	1,490	1,490	-	1,490	1,490	1,490	-
Interest income	1,000	1,000	230	(770)	1,000	1,000	335	(665)
Sale of capital assets	-	-	958	958	-	-	-	-
Total operating revenues	<u>267,107</u>	<u>267,107</u>	<u>267,779</u>	<u>672</u>	<u>261,919</u>	<u>261,919</u>	<u>261,251</u>	<u>(668)</u>
Total revenues	<u><u>\$ 287,107</u></u>	<u><u>\$ 287,107</u></u>	<u><u>\$ 287,779</u></u>	<u><u>\$ 672</u></u>	<u><u>\$ 281,919</u></u>	<u><u>\$ 281,919</u></u>	<u><u>\$ 281,251</u></u>	<u><u>\$ (668)</u></u>
Expenditures								
Administration								
Election expense	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ 1,000	\$ 5,094	\$ 5,094	\$ -
Professional services	15,800	15,800	10,660	5,140	12,800	13,800	13,150	650
Other outside services	1,800	1,800	1,797	3	1,800	1,800	1,797	3
Total administration	<u>18,600</u>	<u>18,600</u>	<u>12,457</u>	<u>6,143</u>	<u>15,600</u>	<u>20,694</u>	<u>20,041</u>	<u>653</u>

See independent auditors' report.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Budget vs. Actual Revenues and Expenses - General Fund (continued)
For the Years Ended December 31,

	2022				2021			
	Unaudited Budget	Final Budget	Actual	Variance Final Budget	Unaudited Budget	Final Budget	Actual	Variance Final Budget
Expenditures (continued)								
Operations and maintenance								
Advertising	\$ 400	\$ 400	\$ 137	\$ 263	\$ 400	\$ 400	\$ 252	\$ 148
Insurance	44,575	44,575	39,994	4,581	44,575	39,178	36,376	2,802
Communication and information	5,000	5,000	3,605	1,395	5,000	5,000	3,383	1,617
Maintenance and repairs	31,244	31,244	22,988	8,256	31,244	31,244	22,225	9,019
Rental charges	9,000	9,000	9,000	-	9,000	9,000	9,000	-
Supplies	587	587	807	(220)	400	703	739	(36)
Training and education	4,000	4,000	715	3,285	2,000	2,000	645	1,355
Uniforms	25,200	25,200	4,467	20,733	25,200	25,200	23,030	2,170
Utilities	5,000	5,000	5,391	(391)	5,000	5,000	2,814	2,186
Health and safety	1,000	1,000	525	475	1,000	1,000	125	875
Small equipment	25,000	25,000	14,212	10,788	25,000	25,000	26,946	(1,946)
Total operations and maintenance	<u>151,006</u>	<u>151,006</u>	<u>101,841</u>	<u>49,165</u>	<u>148,819</u>	<u>143,725</u>	<u>125,535</u>	<u>18,190</u>
Length of Service Award Program	<u>32,500</u>	<u>32,500</u>	<u>26,472</u>	<u>6,028</u>	<u>32,500</u>	<u>32,500</u>	<u>24,156</u>	<u>8,344</u>
Capital lease								
Principal	31,116	31,116	31,115	1	29,908	29,908	29,908	-
Interest	2,564	2,564	2,564	-	3,771	3,771	3,770	1
Total capital lease	<u>33,680</u>	<u>33,680</u>	<u>33,679</u>	<u>1</u>	<u>33,679</u>	<u>33,679</u>	<u>33,678</u>	<u>1</u>
Reserves and capital outlay								
Capital reserve	51,321	51,321	51,321	-	51,321	51,321	51,321	-
Total reserves and capital outlay	<u>51,321</u>	<u>51,321</u>	<u>51,321</u>	<u>-</u>	<u>51,321</u>	<u>51,321</u>	<u>51,321</u>	<u>-</u>
Total expenditures	<u>\$ 287,107</u>	<u>\$ 287,107</u>	<u>\$ 225,770</u>	<u>\$ 61,337</u>	<u>\$ 281,919</u>	<u>\$ 281,919</u>	<u>\$ 254,731</u>	<u>\$ 27,188</u>

See independent auditors' report.

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Officials and Surety Bond
December 31, 2022

Board of Fire Commissioners

Members	Title	Term Ends	Amount of Surety Bond
Craig Bailey	Chairman	2023	\$50,000 total coverage per loss
Paul Carlucci	Vice Chairman	2023	
John J. Chiesa	Treasurer	2022	
David Civale	Secretary	2022	
Marc LaRowe	Commissioner	2022	

See independent auditors' report



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Fire Commissioners
East Amwell Township Fire District No. 1
Hunterdon County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the East Amwell Township Fire District No. 1, as of and for the year ended December 31, 2022, and the related Notes to the Financial Statements, which collectively comprise East Amwell Township Fire District No. 1's basic financial statements, and have issued our report thereon dated August 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the East Amwell Township Fire District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Amwell Township Fire District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Amwell Township Fire District No. 1's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Amwell Township Fire District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 compliance. The report is an integral part of any audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BKC, CPAs, PC

August 1, 2023
Flemington, New Jersey

EAST AMWELL TOWNSHIP FIRE DISTRICT NO. 1
Schedule of Findings and Responses

General Comments and Recommendations

No findings or recommendations have been developed as a result of this audit.

Status of Prior Year's Audit Findings / Recommendations

There were no prior year findings or recommendations.

We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the District officials and employees during the course of the examination.

Respectfully submitted,



BKC, CPAs, PC