

**HOPEWELL BOROUGH
FIRE DISTRICT NO. 1
County of Mercer**

**REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2022**

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HOPEWELL BOROUGH FIRE DISTRICT NO. 1
BOARD OF FIRE COMMISSIONERS

2022

Schuyler Morehouse
Chairman

Mel Myers
Vice-Chairman

Paul Evans
Treasurer

Greg Davies
Secretary

John Blasi
Commissioner

Financial Section

INVERSO & STEWART, LLC

Certified Public Accountants

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-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Hopewell Borough Fire District No. 1
County of Mercer
Hopewell, New Jersey 08525

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and each major fund of the Hopewell Borough Fire District No. 1 (the "Fire District"), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended December 31, 2022, 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.

Unmodified Opinion

In my opinion, the 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 Fire District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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 Fire District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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* and in accordance with accounting principles and practices prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fire District's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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, budgetary comparison information, 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2023, on my consideration of the Fire District's internal control over financial reporting and my 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 my 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* in considering the Fire District's internal control over financial reporting and compliance.

Respectfully submitted,

INVERSO & STEWART, LLC

Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. Inverso', is positioned above the printed name.

Robert P. Inverso

Certified Public Accountant

Registered Municipal Accountant No. 436

Marlton, New Jersey
August 31, 2023

INVERSO & STEWART, LLC

Certified Public Accountants

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New Jersey Society of CPAs

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

Board of Fire Commissioners
Hopewell Borough Fire District No. 1
County of Mercer
Hopewell, New Jersey 08525

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements of the governmental activities, and each major fund of Hopewell Borough Fire District No. 1, in the County of Mercer, State of New Jersey (the "Fire District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued my report thereon dated August 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Fire District'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 Fire District'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Fire District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. P. Inverso', written in a cursive style.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant No. 436

Marlton, New Jersey
August 31, 2023

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Hopewell Borough Fire District No. 1
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022**

As management of the Hopewell Borough Fire District No. 1, New Jersey (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the Fire District for the fiscal year ended December 31, 2022.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent fiscal year by \$2,630,952.
- Governmental activities have an unrestricted net position of \$387,560.
- The total net position of the Fire District decreased by \$494,113 or an 16.63% decrease from the prior fiscal year-end balance.
- Fund balance of the Fire District's governmental funds decreased by \$494,113 resulting in an ending fund balance of \$2,623,452. This decrease is due to the results of operations in the General Fund and Capital Projects Fund.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net position* presents information about all of the Fire District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets 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 net assets of the Fire District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the Fire District that are supported from taxes and intergovernmental revenues (*governmental activities*). Governmental activities consolidate governmental funds including the General Fund, Capital Projects Fund, and Debt Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Fire District are *governmental funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Fire District maintains three individual governmental funds. The major funds are the General Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The Fire District adopts an annual appropriated budget for the General Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

District-wide Financial Analysis

The assets of the Fire District are classified as current assets and capital assets. Cash, investments, and receivables are current assets. These assets are available to provide resources for the near-term operations of the Fire District.

Capital assets are used in the operations of the Fire District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2023.

An investment of \$319,000 in equipment which provides the services to the Fire District's citizens is offset by \$305,417 in related debt obligations. \$2,171,809 is reserved for Length of Service Awards Program, and \$58,000 is designated for subsequent year's expenditures.

Hopewell Borough Fire District No. 1
Net Position
For the Year Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets	\$ 505,435	\$ 542,491
Capital assets	319,000	409,660
Length of Service Award, Net	<u>2,171,809</u>	<u>2,700,531</u>
Total assets	<u>2,996,244</u>	<u>3,652,682</u>
Liabilities:		
Current Liabilities	116,390	191,514
Noncurrent Liabilities	<u>248,902</u>	<u>305,416</u>
Total liabilities	<u>365,292</u>	<u>496,930</u>
Total Net Position	\$ <u>2,630,952</u>	\$ <u>3,155,752</u>
Net position consists of:		
Net investment in Capital Assets	\$ 13,583	\$ 3,401
Restricted	2,229,809	2,827,164
Unrestricted	<u>387,560</u>	<u>325,187</u>
Total Net Position	\$ <u>2,630,952</u>	\$ <u>3,155,752</u>

Governmental Activities

Governmental activities decreased the net position of the Fire District by \$524,800 during the current fiscal year. Key elements of the decrease in net position for governmental activities are as follows:

- Net decrease of \$494,113 due to results of operation of the Governmental Funds.

Hopewell Borough Fire District No. 1
Changes in Net Position
For the Year Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
General Revenues:		
Property Taxes	\$ 223,030	\$ 219,427
Municipal Assistance	415,397	384,334
Length of Service Award Program	84,988	487,670
Other Revenues	17,266	28,252
Total Revenues	<u>740,681</u>	<u>1,119,683</u>
Expenses:		
Governmental Activities:		
Administration	39,603	42,628
Cost of Operations	1,124,427	473,911
Interest on long-term		
Debt	10,791	16,831
Unallocated	90,660	90,661
Total Expenses	<u>1,265,481</u>	<u>624,031</u>
Changes in net position	(524,800)	495,652
Net Position, January 1	3,155,752	2,660,100
Net Position, December 31	<u>\$ 2,630,952</u>	<u>\$ 3,155,752</u>

Financial Analysis of the Governmental Funds

As noted earlier, the Fire District 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 Fire District'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 fiscal year.

As of the end of the current fiscal year, the Fire District's governmental funds reported a combined ending fund balance of \$2,623,452, a decrease of \$494,113, in comparison with the prior year.

The fund balance for the Fire District at the end of the fiscal year includes a combination of an unreserved fund balance for the General Fund of \$393,643, \$2,171,809 reserved for Length of Service Awards Program, and \$58,000 appropriated as a revenue source in the subsequent year's budget.

General Fund Budgetary Highlights

At the end of the current fiscal year, the unassigned fund balance was \$393,643 and the total fund balance of the General Fund was \$451,643. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total General Fund expenditures. Actual expenditures of the General Fund including other financing uses amounted to \$550,320. Unassigned fund balance represents 71.53% of expenditures while total fund balance represents 82.07%.

Capital Asset and Debt Administration

The Fire District's investment in capital assets for its governmental activities as of December 31, 2022, totaled \$319,000 (net of accumulated depreciation). This investment in capital assets includes equipment. The decrease in the District's investment in capital assets for the current fiscal year was \$90,660, or 22.13%.

Capital Asset (net of accumulated depreciation) For the Year Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Equipment	\$ <u>319,000</u>	\$ <u>409,660</u>
Total	\$ <u>319,000</u>	\$ <u>409,660</u>

Additional information on the Fire District's capital assets can be found in the notes to the basic financial statements (Note 4) of this report.

State statutes limit the amount of general obligation debt that the Fire District may issue. At the end of the current fiscal year, the legal debt limit was \$6,371,496. The available amount as of December 31, 2022 is \$6,371,496.

Additional information on the Fire District's debt obligations can be found in the notes to the basic financial statements (Note 4) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the Fire District's budget for the 2023 calendar year.

- For the 2023 calendar year the Fire District local tax levy in the General Fund increased by \$752 or 0.3% resulting in no increase in the 2023 tax rate. Operating expenses continue to increase; however, the District has managed to control costs. The 2023 budget is \$13,842 more than the previous year or a 2.0% increase. The increase is due to a reduction in capital appropriations and increased operating costs.

For the Future

The Hopewell Borough Fire District No. 1 is in good financial condition presently. However, a major concern is the continued growth of Hopewell Township, which comprises approximately 70% of the annual service calls, and the ability to provide quality service at an affordable cost.

In conclusion, the Hopewell Borough Fire District No. 1 has committed itself to financial excellence for many years. In addition, the Fire District's system for financial planning and budgeting are well regarded. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.

Requests for Information

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the Fire District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hopewell Borough Fire District No. 1, Board of Fire Commissioners, P.O. Box 141, Hopewell, New Jersey 08525.

Basic Financial Statements

District-Wide Financial Statements

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Statement of Net Position
December 31, 2022

	Governmental Activities
<hr/>	
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 484,400
Accounts receivable	21,035
	<hr/>
Total Current Assets	505,435
	<hr/>
Noncurrent Assets	
Investment in length of service awards program	2,086,821
Receivables, net	84,988
	<hr/>
Total noncurrent assets	2,171,809
	<hr/>
Capital assets, net (Note 4)	319,000
	<hr/>
Total assets	2,996,244
	<hr/>
LIABILITIES:	
Accounts payable	53,792
Accrued interest	6,083
Noncurrent liabilities:	
Due within one year	56,515
Due beyond one year	248,902
	<hr/>
Total liabilities	365,292
	<hr/>
Net Position	
Net investment in capital assets	13,583
Restricted for:	
Debt Service	
Investment in length of service awards program	2,171,809
Other purposes	58,000
Unrestricted	387,560
	<hr/>
Total net position	\$ 2,630,952
	<hr/>

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

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Statement of Activities
For the Fiscal Year Ended December 31, 2022

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:					
Administration:					
Other expenses	\$ 39,603	\$ -	\$ -	\$ -	\$ (39,603)
Cost of operations:					
Maintenance and repairs	88,317				(88,317)
Vehicle fuel	18,809				(18,809)
Insurance	82,632				(82,632)
Building rent	26,000				(26,000)
Training and education	14,608				(14,608)
Other expenses:					
Computer	1,673				(1,673)
Uniforms	23,665				(23,665)
Ladies auxiliary	2,000				(2,000)
Community services	1,081				(1,081)
Volunteer administration	1,300				(1,300)
Personnel	88,000				(88,000)
Fire department budget	9,505				(9,505)
Fire department administration	5,000				(5,000)
EMU budget	9,032				(9,032)
Service awards	2,000				(2,000)
Purchase of nonbondable assets	36,588				(36,588)
Length of service awards program	698,698				(698,698)
Emergency Appropriation	15,519				(15,519)
Debt service:					
Interest and other charges	10,791				(10,791)
Unallocated		90,660			(90,660)
Total governmental activities	1,174,821	90,660			(1,265,481)
Total primary government	\$ 1,174,821	\$ 90,660	\$ -	\$ -	\$ (1,265,481)
General revenues:					
Taxes:					
District taxes, levied for general purposes, net					127,113
District taxes, levied for debt service, net					95,917
Federal and State aid not restricted					703
Municipal assistance					415,397
Length of service awards program					84,988
Miscellaneous income					16,563
Total general revenues, special items, extraordinary items and transfers					740,681
Change in Net Position					(524,800)
Net Position - January 1					3,155,752
Net Position - December 31					\$ 2,630,952

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

Fund Financial Statements

HOPEWELL BOROUGH FIRE DISTRICT NO.1

Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Assets:				
Current Assets				
Cash and cash equivalents	\$ 484,400	\$ -	\$ -	\$ 484,400
Receivables, net	21,035			21,035
Total Current Assets	505,435			505,435
Noncurrent Assets				
Investment in length of service awards program	2,086,821			2,086,821
Receivables, net	84,988			84,988
Total Noncurrent Assets	2,171,809			2,171,809
 Total assets	 \$ 2,677,244	 \$ -	 \$ -	 \$ 2,677,244
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 53,792	\$ -	\$ -	\$ 53,792
Bond Anticipation Notes Payable				
Total liabilities	53,792			53,792
Fund Balances:				
Restricted Fund Balance:				
Reserved for future capital outlays				
Other purposes				
Investment in length of service awards program	2,171,809			2,171,809
Assigned Fund Balance:				
Designated for subsequent year's expenditures	58,000			58,000
Unassigned	393,643			393,643
Total fund balances	2,623,452			2,623,452
Total liabilities and fund balances	\$ 2,677,244	\$ -	\$ -	

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 \$2,072,074 and the accumulated depreciation is \$1,753,074.	319,000
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.	(6,083)
The following long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:	
Financed Purchase Obligations	(305,417)
Net position of governmental activities	<u>\$ 2,630,952</u>

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

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended December 31, 2022

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local sources:				
Local tax levy	\$ 127,113	\$ -	\$ 95,917	\$ 223,030
Municipal assistance	415,397			415,397
Budget Appropriation- Length of service awards program	84,988			84,988
Miscellaneous	16,563			16,563
Total revenues - local sources	644,061		95,917	739,978
State sources	703			703
Total revenues	644,764		95,917	740,681
EXPENDITURES:				
Current expense:				
Administration:				
Other expenses	39,603			39,603
Cost of operations:				
Maintenance and repairs	88,317			88,317
Vehicle fuel	18,809			18,809
Insurance	82,632			82,632
Building rent	26,000			26,000
Training and education	14,608			14,608
Other expenses:				
Computer services	1,673			1,673
Uniforms	23,665			23,665
Ladies auxiliary	2,000			2,000
Community services	1,081			1,081
Copier	1,300			1,300
Personnel	88,000			88,000
Fire department budget	9,505			9,505
Fire department administration	5,000			5,000
EMU budget	9,032			9,032
Service Awards	2,000			2,000
Purchase of nonbondable assets	36,588			36,588
Length of service awards program:				
Budget appropriation	84,988			84,988
Investment Loss	517,991			517,991
Participant withdrawal	92,044			92,044
Administrative fee	3,675			3,675
Deferred Charge:				
Emergency Appropriation	15,519			15,519
Debt service			117,206	117,206
Total expenditures	1,164,030		117,206	1,281,236
Excess (deficiency) of revenues over (under) expenditures	(519,266)		(21,289)	(540,555)
Other Financing Sources (uses):				
Principal payments - Bond Anticipation Notes		46,442		46,442
Total Other Financing Sources		46,442		46,442
Net Change in Fund Balances	(519,266)	46,442	(21,289)	(494,113)
Fund balances, January 1	3,142,718	(46,442)	21,289	3,117,565
Fund balances, December 31	\$ 2,623,452	\$ -	\$ -	\$ 2,623,452

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

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended December 31, 2022

Total net change in fund balances - governmental funds (from B-2) \$ (494,113)

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

Capital outlays are reported in the governmental funds as expenditures.
However, on 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 current fiscal year.

Depreciation expense	\$ (90,660)	
Fixed asset additions		(90,660)

In the statement of activities, interest on long-term debt is accrued, regardless of
when due. In the governmental funds, interest is reported when due. The accrued
interest is an addition in the reconciliation.

5,573

Repayment of financed purchase obligations principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in the statement
of net position.

54,400

Change in net position of governmental activities		\$ (524,800)

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

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity - Hopewell Borough Fire District No. 1 is located in Mercer County, New Jersey. It is a political subdivision of the Borough of Hopewell and was formed through the adoption of a Borough ordinance. As of the 2020 United States Census, the Borough's population was 1,897. 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 taxing District charged with the responsibility of providing fire fighting services to the residents within its territorial location. Hopewell Borough Fire District No. 1 has one fire company within its jurisdiction.

Component Units - GASB Statement No. 14 and GASB No. 39, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that meet the criteria established by GASB statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2022, it has been determined by the District that no component units exist.

Basis of Presentation -The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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 District's accounting policies are described below.

The district's basic financial statements consist of government-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.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Indirect expenses are not allocated to programs. Program revenues include charges paid by the recipients of goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the 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 District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level reporting. The 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. There are two categories of funds: governmental and fiduciary.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund - 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 are the Fire District's major governmental funds:

General Fund - The General Fund is the general operating fund of the Fire District and is used to account for all expendable financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources, such as state or federal government grants and appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities such as fire houses. The financial resources are derived from temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for resources that will be used to service principal and interest payments on general long-term liabilities.

Measurement Focus

Government-wide Financial Statements - The government-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 are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance 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 government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the 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 and Expenses - Revenues are recorded when they are determined to be available and measurable. Generally, fees and other non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fire District Taxes - Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

Budgets/Budgetary Control - 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 hearing 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, except for provisions allowed by N.J.S.A. 40A:14-78.3.

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 the approval of the legal voters. If the voters reject the budget, the Borough Council is required to review and determine the annual budget. Amounts reported under the final budget on Exhibits C-1 and I-3, include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

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 in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Fire District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - New Jersey municipal 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 municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A. 17:9-41et 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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having 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 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 amount of their deposits to the governmental units.

The cash management plan adopted by the Fire District requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Inventories and Prepaid Expenses - Inventories and prepaid expenses which benefit future periods, other than those recorded in the enterprise funds, are recorded as an expenditure during the year of purchase.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position.

Capital Assets

These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-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 valued at their estimated fair market value on the date received. The Fire District maintains a capitalization threshold of \$5,000. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not. All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	30 years
Building Improvements	20 years
Machinery and Equipment	5-20 years
Vehicles	5-20 years

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

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

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

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the 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 law or regulations of other governments.

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

It is the Fire District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Fund Balance - The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes 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" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - This 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 (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This fund balance classification includes amounts that can only 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 Fire Commissioners. Once committed, amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes, or changes, the specified use by taking the same type of action imposing the commitment.

Assigned - This 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. The Board of Fire Commissioners has the authority to assign amounts to be used for specific purposes.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Unassigned – This fund balance classification is the residual classification for the General Fund. It 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the Fire District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfunds – Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles – During 2022, the District implemented GASB No. 87, Leases.

The Governmental Accounting Standards Board (GASB) has issued the following statements that have effective dates that may affect future financial presentations:

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In June 2022 the GASB issued Statement 100, *Accounting Changes and Error Corrections- An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

In June 2022 the GASB issued Statement 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The impact of the adoption of this Statement will have no effect on the District's financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

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 municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized. Of the Fire District's amount on deposit of \$682,955.58 as of December 31, 2022, \$250,000 was insured under FDIC and the remaining balance of \$432,955.58 was collateralized under GUDPA.

3. RECEIVABLES

Receivables as of year-end for the Fire District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Other Receivables	\$ 21,035	\$ -	\$ -	\$ 21,035
Total Accounts Receivable	<u>\$ 21,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,035</u>

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2022, was as follows:

	<u>Balance December 31, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2022</u>
Governmental Activities:				
<i>Capital Assets, being depreciated:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	\$ 2,072,074	\$ -	-	\$ 2,072,074
Totals at historical cost	<u>2,072,074</u>	<u>-</u>	<u>-</u>	<u>2,072,074</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	(1,662,414)	(90,660)	-	(1,753,074)
Totals accumulated depreciation	<u>(1,662,414)</u>	<u>(90,660)</u>	<u>-</u>	<u>(1,753,074)</u>
Total Capital Assets, being depreciated, net	<u>409,660</u>	<u>(90,660)</u>	<u>---</u>	<u>319,000</u>
Governmental Activities Capital Assets, Net	<u>\$ 409,660</u>	<u>\$ (90,660)</u>	<u>---</u>	<u>\$ 319,000</u>

Depreciation expense in the amount of \$90,660 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Unallocated	\$ 90,660
Total	<u>\$ 90,660</u>

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

5. LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2022, the following changes occurred in long-term obligations:

	Principal Outstanding Dec. 31, 2021	Additions	Reductions	Principal Outstanding Dec. 31, 2022	Due Within One Year
Governmental Activities:					
Financed Purchase Obligations	\$ 359,817	\$ -	\$ 54,400	\$ 305,417	\$ 56,515
	<u>\$ 359,817</u>	<u>\$ -</u>	<u>\$ 54,400</u>	<u>\$ 305,417</u>	<u>\$ 56,515</u>

Serial Bonds Payable - As of December 31, 2022 the District had no serial bonds outstanding.

Financed Purchase Obligations – As of December 31, 2022, the District had the following financed purchase obligation:

Equipment	Maturity Date	Interest Rate	Total Value
Pumper Fire Truck	March 9, 2027	3.8874%	\$ 305,417

The following is a schedule of the future minimum payments under the financed purchase obligation and the present value of the net minimum payments at December 31, 2022:

Year Ending December 31,	Principal	Interest	Total
2023	\$ 56,515	\$ 11,873	\$ 68,388
2024	58,712	9,676	68,388
2025	60,995	7,393	68,388
2026	63,366	5,022	68,388
2027	65,829	2,559	68,388
	<u>\$ 305,417</u>	<u>\$ 36,523</u>	<u>\$ 341,940</u>

6. PENSION PLANS

The District has no employees and therefore does not participate in the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP).

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The District does not have any postemployment benefits liability as of December 31, 2022.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. The District has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The District maintains commercial insurance for all risks of loss, including property, liability, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. PROPERTY TAXES

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

Comparative Schedule of Tax Rates

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax Rate	\$ <u>.070</u>	\$ <u>.070</u>	\$ <u>.070</u>	\$ <u>.070</u>	\$ <u>.070</u>

Assessed Valuation

2022	\$ 318,574,800				
2021		\$ 317,351,900			
2020			\$ 317,263,500		
2019				\$ 316,902,300	
2018					\$ 317,835,055

10. FUND BALANCES

The Fire District has classified its fund balances with the following hierarchy:

Nonspendable – The Fire District does not have any nonspendable funds.

Spendable – The Fire District has classified the spendable fund balances as *Restricted*, *Assigned* and *Unassigned* and considered each to have been spent when expenditures are incurred. The Fire District currently has no funds classified as *Committed*.

Restricted Items:

General Fund:

Investment in Length of Service Awards Program – As of December 31, 2022, the balance in Investment in Length of Service Awards Program is \$2,171,809.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

10. FUND BALANCES (Continued)

Assigned:

Designated for Subsequent Year's Expenditures – The Fire District has appropriated and included \$58,000 as an anticipated revenue for the year ended December 31, 2023.

Unassigned:

General Fund:

The unassigned balance at December 31, 2022 is \$393,643.

Capital Projects Fund:

The Fire District has an accumulated deficit of \$20,559 as of December 31, 2022. This deficit is the result of utilizing temporary financing to fund expenditures for certain capital projects. As the Fire District permanently finances these appropriations the Fire district will realize as revenue the proceeds of the financing. This deficit does not indicate that the Fire District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

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

<u>Year</u>		<u>Balance</u> <u>Dec. 31,</u>	<u>Utilized In</u> <u>Budget Of</u> <u>Succeeding Year</u>	<u>Percentage</u> <u>Budget of</u> <u>Succeeding Year</u>
2022	\$	451,643	\$ 58,000	12.84%
2021		367,187	42,000	11.43%
2020		319,217	30,500	9.55%
2019		270,570	-0-	-0-%
2018		236,454	-0-	-0-%

11. LENGTH OF SERVICE AWARDS PROGRAM

The Fire District's length of service awards program ("LOSAP"), which is reported in the Fire District's fiduciary fund as a private-purpose trust, was created by a Fire District Resolution pursuant to Section 457 (e)(11)(B) of the Internal 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 voters of the Fire District approved the adoption of the LOSAP at the general election held on February 19, 2000, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2000. The LOSAP provides tax deferred income benefits for the volunteer fire department and the first aid organization.

The tax deferred income benefits for emergency service volunteers come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year.

While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2022

11. LENGTH OF SERVICE AWARDS PROGRAM (Continued)

The Fire District elected to contribute between \$504.96 and \$1,692.08 for the year ended December 31, 2022, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Fire District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts - Each participant's account is credited with the Fire District's contribution and Plan earnings and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Fire District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the Fire District's creditors until distributed as benefit payments, are not available for funding the operations of the Fire District.

Lincoln National Life Insurance Company ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Fire 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.

Vesting - Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

Investments - The investments of the length of service awards program reported on the statement of fiduciary net position are recorded at fair value.

Plan Information - Additional information about the Fire District's length of service awards program can be obtained by contacting the Plan Administrator.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
District Tax	\$ 127,113	\$ -	\$ 127,113	\$ 127,113	\$ -
Municipal Assist from Adjoining Municipality	415,405		415,405	415,397	(8)
Miscellaneous				16,563	16,563
Total local sources	542,518	-	542,518	559,073	16,555
State sources:					
Supplemental Fire Services Grant	1,001		1,001	703	(298)
Total state sources	1,001	-	1,001	703	(298)
TOTAL REVENUES	543,519	-	543,519	559,776	16,257
EXPENDITURES:					
GENERAL EXPENSE:					
Administration:					
Other Expenses:					
Office expense	15,500	-	15,500	12,382	3,118
Office services	10,000	-	10,000	10,000	-
Reimbursement of expenses	1,200	-	1,200	1,190	10
Advertising	1,500	-	1,500	731	769
Professional services	15,500	-	15,500	15,300	200
Total Administration	43,700	-	43,700	39,603	4,097

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2022

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Cost of Operations:					
Other Expenses:					
Maintenance & Repairs	\$ 92,200	\$ 5,700	\$ 97,900	\$ 88,317	\$ 9,583
Vehicle Fuel	13,000	6,000	19,000	18,809	191
Insurance	105,000	(11,600)	93,400	82,632	10,768
Building Rent	26,000	-	26,000	26,000	-
Training and Education	15,000	-	15,000	14,608	392
Other Expenses:					
Computer services	1,600	100	1,700	1,673	27
Uniforms	27,000	(1,900)	25,100	23,665	1,435
Ladies Auxiliary	2,000	-	2,000	2,000	-
Community services	1,000	100	1,100	1,081	19
Copier	2,000	-	2,000	1,300	700
Personnel	88,000	-	88,000	88,000	-
Fire department budget	12,000	-	12,000	9,505	2,495
Fire department administration	5,000	-	5,000	5,000	-
EMU budget	8,000	1,100	9,100	9,032	68
Service awards	1,500	500	2,000	2,000	-
Contingency	5,000	-	5,000	-	5,000
Purchase of nonbondable assets	37,000	-	37,000	36,588	412
Total Other Expense	441,300	-	441,300	410,210	31,090
Total Cost of Operations	441,300	-	441,300	410,210	31,090
Length of Service Award Program	85,000	-	85,000	84,988	12
Capital Appropriations:					
Assets acquired under capital lease (non-budgeted):					
Downpayment on Ambulance	75,000	-	75,000		75,000
Total Capital Appropriations	75,000	-	75,000	-	75,000
Deferred Charges:					
Emergency - Repairs to Fire Truck	15,519	-	15,519	15,519	
Total Deferred Charges	15,519	-	15,519	15,519	-
Total Expenditures	660,519	-	660,519	550,320	110,199
Less Expenditures to be raised by future taxes					-
Total Expenditures	660,519	-	660,519	550,320	110,199
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,000)	-	(117,000)	9,456	126,456
Other Financing Sources:					
	-	-	-		-
Total other financing sources	-	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources	(117,000)	-	(117,000)	9,456	126,456
Fund Balance, January 1	442,187	-	442,187	442,187	-
Fund Balance, December 31	\$ 325,187	\$ -	\$ 325,187	\$ 451,643	\$ 126,456
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserve for Encumbrances				\$ -	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				58,000	
Unassigned Fund Balance				393,643	
Total - budgetary basis				451,643	
Reconciliation to governmental fund statements (GAAP):					
Length of service awards program investment balance not recognized on the budgetary basis				2,171,809	
Fund Balance per Governmental Funds (GAAP)				\$ 2,623,452	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Notes to Required Supplementary Information
Budgetary Comparison

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

	General Fund
<hr/>	
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 559,776
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Budget Appropriation related to length of service awards program	<u>84,988</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 644,764</u></u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 550,320
Differences - budget to GAAP	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-
Length of service awards program	
Investment loss related to length of service award program	517,991
Administrative fees	3,675
Participant withdrawals	<u>92,044</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,164,030</u></u>

Other Supplementary Information

Long-Term Debt Schedules

HOPEWELL BOROUGH FIRE DISTRICT NO.1
General Long-Term Debt Account Group
Schedule of Financed Purchase Obligations
December 31, 2022

<u>Purpose</u>	<u>Dated</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance January 1, 2022</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2022</u>
Pumper Fire Truck	3/9/2018	3.8874%	\$ 580,000	<u>\$ 359,817</u>	<u>\$ -</u>	<u>\$ 54,400</u>	<u>\$ 305,417</u>
			Total	<u><u>\$ 359,817</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 54,400</u></u>	<u><u>\$ 305,417</u></u>

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended December 31, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 95,917	\$ -	\$ 95,917	\$ 95,917	\$ -
Total revenues - local sources	95,917		95,917	95,917	-
 Total Revenues	 95,917		 95,917	 95,917	 -
EXPENDITURES:					
Regular debt service:					
Principal	100,842		100,842	100,842	-
Interest	16,364		16,364	16,364	-
Total Expenditures	117,206		117,206	117,206	-
 Excess (Deficiency) of revenues over (under) expenditures	 (21,289)		 (21,289)	 (21,289)	 -
Fund Balances, January 1	21,289		21,289	21,289	
Fund Balances, December 31	\$ -	\$ -	\$ -	\$ -	\$ -

HOPEWELL BOROUGH FIRE DISTRICT NO.1
General Long-Term Debt Account Group
Schedule of Bond Anticipation Notes Payable
December 31, 2022

<u>Purpose</u>	<u>Amount of Original Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance January 1, 2022</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance December 31, 2022</u>
Self-Contained Beathing Apparatus	\$ 60,289	12/14/2021	12/14/2022	3.50%	\$ 6,028	\$ -	\$ 6,028	\$ -
Tanker Fire Truck	176,603	3/21/2021	3/21/2022	3.50%	40,414		40,414	-
					<u>\$ 46,442</u>	<u>\$ -</u>	<u>\$ 46,442</u>	<u>\$ -</u>
				Renewals Paid by Budget Appropriation		\$ -	\$ - 46,442	
				Total		<u>\$ -</u>	<u>\$ 46,442</u>	

General Comments and Recommendations

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This section identifies the reportable conditions, 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 the requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

None.

SUMMARY SCHEDULE OF PRIOR YEAR REPORTABLE CONDITIONS AND OTHER FINDINGS AS PREPARED BY MANAGEMENT

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

There were no prior year audit findings.

APPRECIATION

I express my appreciation for the assistance and courtesies extended to the audit team by the Fire District Commissioners during the course of the audit.

Respectfully submitted,

INVERSO & STEWART, LLC

A handwritten signature in black ink, appearing to read 'R. Inverso'.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

August 31, 2023