TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA COUNTY OF MONMOUTH ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2024

ROBERT A. HULSART & COMPANY CERTIFIED PUBLIC ACCOUNTANTS 2807 HURLEY POND ROAD, SUITE 100 WALL, NEW JERSEY 07719

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA

COUNTY OF MONMOUTH

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COUNTY OF MONMOUTH

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TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA COUNTY OF MONMOUTH

PART I

ACCOUNTANT'S REPORT OF THE DISTRICT'S FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

Robert A. Hulsart and Company CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners Howell Fire District #2- Adelphia Howell, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of the Township of Howell Fire District No. 2 (the "District"), as of and for the year ended December 31, 2024, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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; a 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 and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 require that the management's discussion and analysis and budgetary comparison information as listed on 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

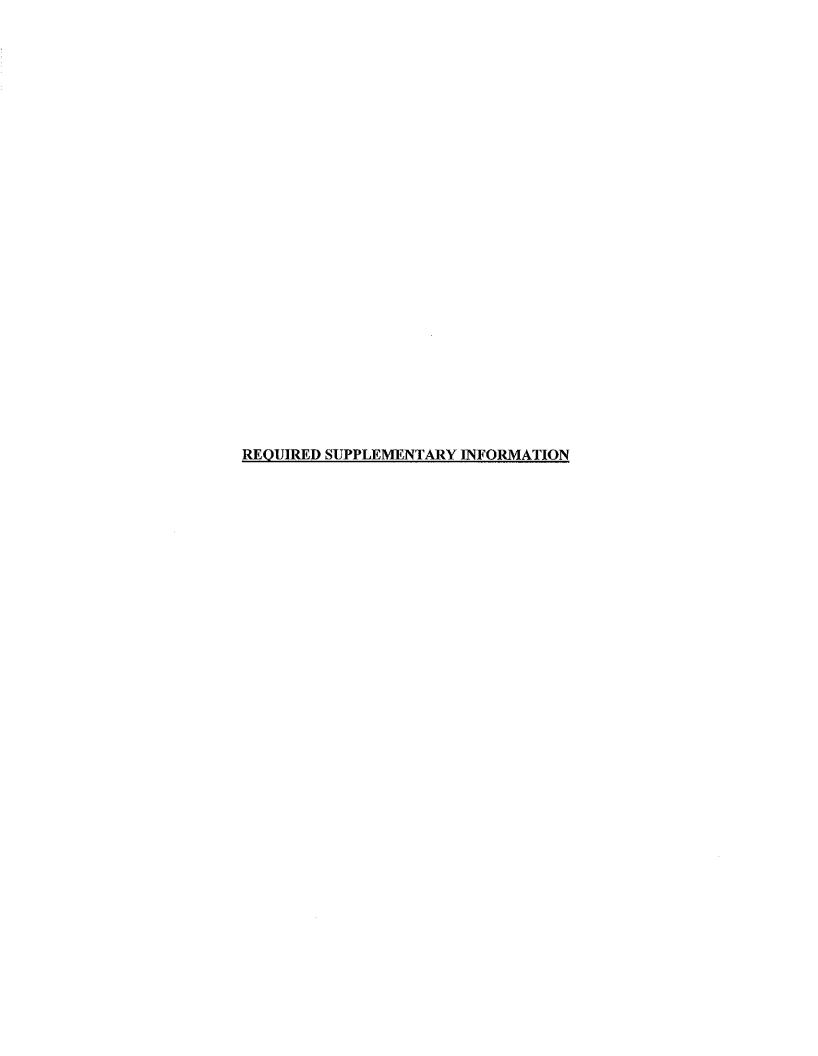
Robert A. Hulsart and Company

Independent Auditors

Robert A. Hulsart, Jr.

Certified Public Accountant

Wall Township, New Jersey June 30, 2025



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

As management of the Howell Township Fire District No. 2, we offer readers of the Howell Township Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Howell Township Fire District No. 2 for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the Township of Howell Fire District No. 2's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Howell Township Fire District No. 2's financial performance.

Financial Highlights

- The assets of Howell Township Fire District No. 2 exceeded its liabilities at the close of the most recent year by \$6,741,601 (net position).
- As of the close of the current year, the Howell Township Fire District No. 2's governmental funds reported combined ending fund balances of \$2,902,118.00, an increase of 484,467.00 in comparison with the prior year, due to results of normal operations and capital purposes.
- At the end of the current year, unreserved fund balance for the general fund was \$565,896.00.
- The total debt of Howell Township Fire District No. 2 decreased by \$1,081.00 as a result of pension reporting decreases for 2024.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Howell Township Fire District No. 2's basic financial statements. The Howell Township Fire District No. 2's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

<u>District-wide Financial Statements</u> – The district-wide financial statements are designed to provide readers with a broad overview of the Howell Township Fire District No. 2's finances, in a manner similar to a private sector business.

<u>District-wide Financial Statements (Continued)</u> – The Statement of Net Position presents information on all of the Howell Township Fire District No. 2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Howell Township Fire District No. 2 is improving or deteriorating.

The Statement of Activities presents information showing how the Howell Township Fire District No. 2's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the Howell Township Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Howell Township Fire District No. 2 include fire-fighting and emergency medical services that are provided to the citizens of the Howell Township Fire District No. 2.

<u>Fund Financial Statements</u> – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Howell Township Fire District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Howell Township Fire District No. 2 constitute one fund type, governmental funds.

Governmental Funds — All of the Howell Township Fire District No. 2's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Howell Township Fire District No. 2's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Howell Township Fire District No. 2 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balances for the general fund, special revenue fund, capital projects fund and the debt service fund.

The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, Howell Township Fire District No. 2 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

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

District-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the Howell Township Fire District No. 2, assets exceeded liabilities by \$6,741,601.00 at the close of the most recent year.

The largest portion of the Howell Township Fire District No. 2's net position (56 percent) reflects future investment in capital assets (i.e. buildings and equipment). The Howell Township Fire District No. 2 uses these assets to provide fire-fighting services to the citizens of the Howell Township Fire District No. 2: consequently these assets are not available for future spending. Although the Howell Township Fire District No. 2's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

Howell Township Fire District No. 2

Net Position

December 31, 2024

Current and Other Assets Capital Assets	\$ 3,040,782.00 <u>3,877,142.00</u> <u>6,917,924.00</u>
Other Liabilities Total Liabilities	<u>176,323.00</u> <u>176,323.00</u>
Net Position	<u>\$.6,741,601.00</u>
Analysis of Net Position	
Invested in Capital Assets Net of Related Debt Restricted Unrestricted	\$ 3,877,142.00 2,336,222.00
Total Net Position	\$ 6,741,601.00

The restricted portion of the Howell Township Fire District No. 2's net position (57.5 percent) represents resources that are subject to external restrictions on how they may be used.

In total, net position of governmental activities increased by \$769,445.00. For the 2024 year, capital assets are reported net of accumulated depreciation that as of December 31, 2024 was \$3,877,142.00

<u>Governmental Activities</u> – The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Key elements of the decrease in governmental activities are as follows:

Expenses:	
Administration	\$ 71,927.00
Cost of Operations and Maintenance	754,694.00
LOSAP Contribution	72,723.00
Total Program Expenses	899,344.00
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,444,720.00
Miscellaneous Income	224,069.00
Total General Revenues	1,668,789.00
Decrease in Net Position	769,445.00
Net Position, January 1	5,972,156.00
Net Position, December 31	<u>\$ 6,741,601.00</u>

Property taxes constituted 86.5% of revenues for government activities for the Fire District for the year 2024.

Cost of operations and maintenance comprises 84% of fire district expenses, with administration comprising 8%, LOSAP 8%.

Financial Analysis of the Government Funds

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

Governmental Fund — The focus of the Howell Township Fire District No. 2's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Howell Township Fire District No. 2's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Howell Township Fire District No. 2's governmental funds reported combined ending fund balances of \$2,902,118.00, an increase of \$484,467.00 in comparison with the prior year. The increase is attributable to normal operations and capital expenditures.

Governmental Fund (Continued) – Of the combined ending fund balances of \$2,902,118.00, unreserved fund balances constituted \$1,497,713.00. Of the reserved fund balance, \$510,000.00 has been utilized in the 2025 budget for Howell Township Fire District No. 2; and \$894,405 is reserved for future capital outlays.

The general fund is the main operating fund of the Howell Township Fire District No. 2. At the end of the current year, undesignated fund balance of the general fund was \$565,896.00, while the total fund balance was \$2,902,118.00. The District also transferred \$400,000 to the Capital Fund for vehicle purchases.

The fund balance of the Howell Township Fire District No. 2's general fund increased by \$484,467.00 during the current year due to normal operations and transfers to Capital Projects.

General Fund Budgetary Highlights

During the course of the 2024 year the Howell Township Fire District No. 2 did not modify its general fund budget.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$1,444,720.00. The original budgetary estimate was the same.

During the year 2024, the Howell Township Fire District No. 2 budgeted \$1,444,720.00 for property taxes (local tax levy).

The final budgetary basis expenditures appropriation estimate was \$1,344,000.00. The original budgetary estimate was \$1,344,000.00.

Capital Assets and Debt Administration

<u>Capital Assets</u> – The Howell Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2024 amounts to \$3,877,142.00 (net of accumulated depreciation). This investment in capital assets includes land, vehicles and equipment.

At the end of 2024 the Howell Township Fire District No. 2 had \$7,883,827.00 invested in buildings, land, site improvements, vehicles and equipment. The accumulated depreciation on these items was \$4,006,685.00.

Howell Township Fire District No. 2

Capital Assets

(Net of Accumulated Depreciation)

December 31, 2024

Land	\$ 600,000.00
Building	1,067,732.00
Site Improvements	205,332.00
Vehicles	1,695,170.00
Equipment	308,908.00
	<u>\$ 3,877,142.00</u>

Additional information on the Howell Township Fire District No. 2's capital assets can be found in Note 4 in the Notes to Financial Statements.

Economic Factors and Next Years Budget

For the 2024 year the Howell Township Fire District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 86.5% of total revenue is from the local tax levy, while the remaining 13.5% is from other sources.

The Board of Fire Commissioners adopted the 2025 budget December 2, 2024 and the voters subsequently approved the budget at the annual fire district election held on February 15, 2025.

Requests for Information

This financial report is designed to provide a general overview of the Howell Township Fire District No. 2's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Frank Biddle, III, Administrative Clerk at Howell Township Fire District No. 2, Box 125, Adelphia, New Jersey 07710.





STATEMENT OF NET POSITION

Exhibit A-1

DECEMBER 31, 2024

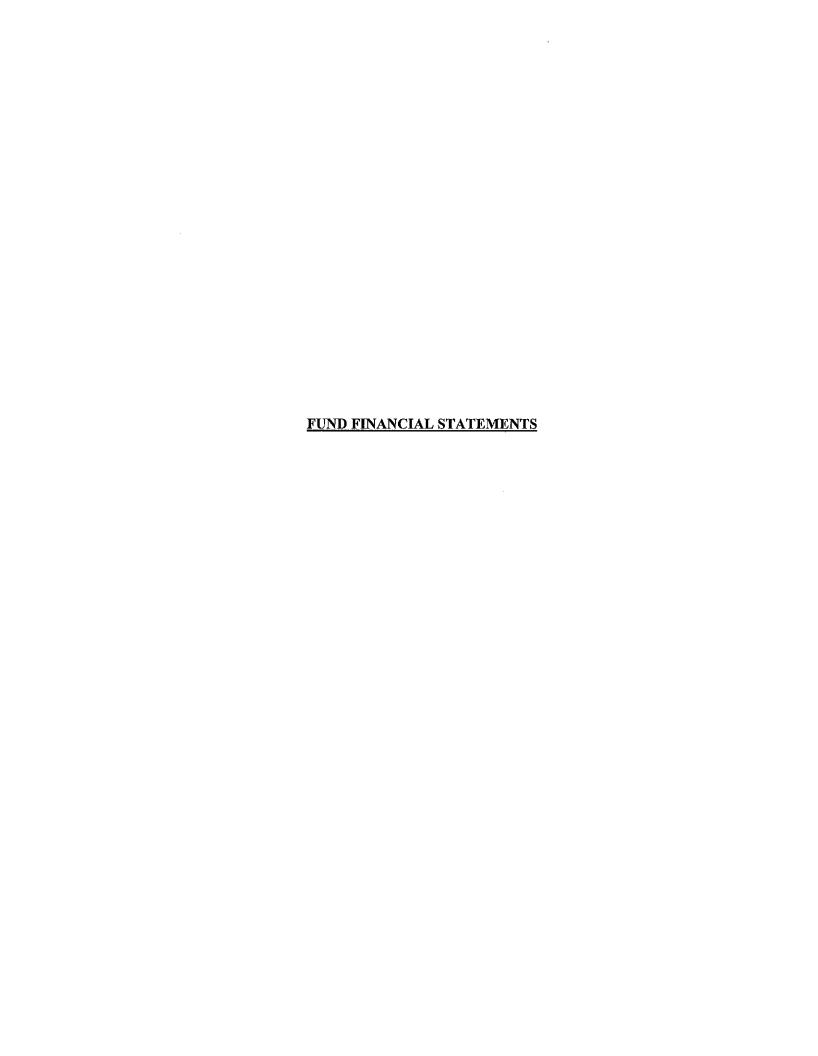
	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 3,038,961
Capital Assets not Depreciated	600,000
Capital Assets, Net (Note 4)	3,277,142
Total Assets	\$ 6,916,103
Deferred Outflow of Resources:	
Contribution to Pension Plan	\$ 1,821
Deferred Inflow of Resources:	
Pension Deferrals	\$ 3,920
Liabilities:	
Accounts Payable	\$ 136,843
Non-Current Liabilities:	Ψ 15 0,0 15
Due Beyond One Year	35,560
Total Liabilities	\$ 172,403
Net Position:	
Invested in Capital Assets, Net of Related Debt	\$ 3,877,142
Restricted	2,336,222
Unrestricted	528,237
Total Net Position	\$ 6,741,601

STATEMENT OF ACTIVITIES

Exhibit A-2

FOR THE YEAR ENDED DECEMBER 31, 2024

	Governmental <u>Activities</u>
Expenses:	
Operating Appropriations:	
Administration	\$ 71,927
Cost of Operations and Maintenance	754,694
Length of Service Award Program (LOSAP) - Contribution	72,723
Total Program Expenses	899,344
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,444,720
Miscellaneous Income	224,069
Total General Revenues	1,668,789
Increase/(Decrease) in Net Position	769,445
Net Position, January 1 (Note 11)	5,972,156
Net Position, December 31	\$ 6,741,601



BALANCE SHEET

Exhibit B-1

GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	General Fund	Capital Fund	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 2,107,144	931,817	3,038,961
Total Assets	\$ 2,107,144	931,817	3,038,961
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$ 136,843		136,843
Total Liabilities	136,843	-	136,843
Fund Balances:			
Reserved for:			
Future Capital Outlays	894,405		894,405
Unreserved:			
Designated for:			
Subsequent Year's Expenditures	390,000		390,000
Subsequent Year's Expenditures - Future Capital Outlays	120,000		120,000
Undesignated, Reported in:			
General Fund	565,896		565,896
Capital Fund		931,817	931,817
Total Fund Balances	1,970,301	931,817	2,902,118
Total Liabilities and Fund Balances	\$ 2,107,144	931,817	
Amounts reported for <i>Governmental Activities</i> 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 \$7,883,827 and the accumulated depreciation is \$4,006,685.			3,877,142
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.			(35,560)
			(50,500)
Deferred Outflow of Resources - Contributions to the Pension Plan			1,821
Deferred Inflow of Resources - Acquisition of Assets Applicable to Future Reporting Periods			(3,920)
Net position of governmental activities			\$ 6,741,601

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Exhibit B-2

FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Capital Fund	Total Governmental Funds
Revenues:	¢ 1 444 700		1 444 720
Amount to be Raised by Taxation to Support the District Budget Non-Budgetary Revenues	\$ 1,444,720 224,069		1,444,720 224,069
Total Revenues	1,668,789		1,668,789
Expenditures:			
Operating Appropriations:			
Administration	71,927		71,927
Cost of Operations and Maintenance	896,692		896,692
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	72,723		72,723
Capital Expenditures		142,980	142,980
Total Expenditures	1,041,342	142,980	1,184,322
Excess (Deficiency) of Revenues Over Expenditures	627,447	(142,980)	484,467
Other Financing Sources/(Uses):			
Transfer from Capital Fund		400,000	400,000
Transfer to Capital Fund	(400,000)		(400,000)
Total Other Financing Sources/(Uses)	(400,000)	400,000	
Total Excess (Deficiency) of Revenues Over Expenditures			
and Other Financing Sources/(Uses)	227,447	257,020	484,467
Fund Balance, January 1	1,742,854	674,797	2,417,651
Fund Balance, December 31	\$ 1,970,301	931,817	2,902,118

Exhibit B-3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2024

Total Net Change in Fund Balances - Governmental Funds		484,467
Amounts Reported for Governmental Activities in the Statement of		
Activities (A-2) are Different Because:		
Capital Outlays are reported in governmental funds as expenditures.		
However, in the statement of activities, the cost of those assets is		
allocated over their estimated useful lives as depreciation expense.		
This is the amount by which capital outlays exceeded depreciation in		
the period.		
Depreciation Expense		(206,747)
Capital Outlays		484,083
Change in Net Pension Liability		1,081
Contributions to the pension plan in the current fiscal year are deferred		
Outflows of resources on the Statement of Net Position		1,222
Pension Related Deferrals		5,339
Change in Net Position of Governmental Activities	\$	769,445

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Description of Reporting Entity</u> – Fire District No. 2 of the Township of Howell is a political subdivision of the Township of Howell, Monmouth County, New Jersey. It was formed in 1960 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Fire District No. 2 of the Township of Howell has one fire company within its jurisdiction, the Howell Township Fire Company #1.

<u>Component Units</u> – GASB Statement No. 14, *The Financial Reporting Entity*, provides 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 make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of December 31, 2024, it has been determined by the Fire District that no component units exist.

<u>Basis of Presentation</u> – The financial statements of the Township of Howell Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of district-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

District-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the government. The Statement of Net Position presents the financial condition of the governmental activities of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

Fund Financial Statements – During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, that being governmental.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to be 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 the inflows and outflows of its financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Special Revenue Fund — The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

<u>Capital Projects Fund</u> — The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

<u>Debt Service Fund</u> — The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Measurement Focus

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

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

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

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

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, elimination's, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under an established payment schedule. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

<u>Expenses/Expenditures</u> — 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.

<u>Budgets/Budgetary Control</u> – 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.

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

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

Amounts reported under "final budget" on Exhibit C-1 includes modification to the adopted budgets that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year-end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

<u>Encumbrances</u> — 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 year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods or 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 year-end.

<u>Encumbrances (Continued)</u> – The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year-end.

<u>Cash</u>, <u>Cash</u> <u>Equivalents</u> and <u>Investments</u> – Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

Additionally, the Fire District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et 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 State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

<u>Inventories and Prepaid Expenses</u> – Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed,

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2024, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2024. The District had no prepaid expenses as of December 31, 2024.

<u>Short-Term Interfund Receivables/Payables</u> – 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.

<u>Capital Assets</u> – General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$4,000.00. The Fire District does not possess an infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materiality extend an asset's life are not. All reported capital assets except land 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:

	Estimated
<u>Description</u>	Lives
Buildings and Improvements	30 Years
Vehicles	6-25 Years
Firefighting Equipment	10 Years

Eatimoted

<u>Deferred Revenue</u> — Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations – All payables, accrued liabilities, and long-term obligations are reported in the district-wide 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 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.

<u>Net Position</u> – Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

<u>Fund Balance Reserves</u> — The Fire District reserves portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, excess surplus, and capital reserve account.

<u>Estimates</u> – 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

Investments are stated at cost or amortized cost, which approximates market. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- Bonds of any Federal Intermediate Credit Bank, Federal Home
 Loan Bank, Federal National Mortgage Agency or any United
 States Bank of Cooperatives which have a maturity date not greater
 than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of December 31, 2024, cash and cash equivalents and investments of the District consisted of the following:

Cash and Cash Equivalents

Checking Account

\$3,038,961

During the period ended December 31, 2024, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at December 31, 2024 was \$3,038,961 and the bank balance was \$3,038,961. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,788,961 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories described below:

 FDIC
 \$ 250,000

 GUDPA
 2,788,961

\$ 3,038,961

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

NOTE 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years.

<u>Year</u>	<u>Valuations</u>	Tax Levy	Tax Rates
2024	\$ 3,790,786,400.00	1,444,720.19	0.038
2023	3,345,359,200.00	1,279,000.00	0.038
2022	2,902,286,100.00	1,100,000.00	0.038
2021	2,563,773,900.00	1,100,000.00	0.043
2020	2,488,381,400.00	1,050,000.00	0.042

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 was as follows:

	Balance				Balance
	<u>Jan. 1, 2024</u>	<u>Additions</u>	Adjustments	Retirements	Dec. 31, 2024
Non-Depreciable					
Capital Assets:					
Land	\$ 600,000.00				<u>600,000.00</u>
Total Non-Depreciable					
Capital Assets	600,000.00		I		600,000.00
Depreciable Capital					
Assets:					
Buildings	2,288,000.00				2,288,000.00
Site Improvements	440,000.00				440,000.00
Vehicles	3,602,282.00	458,473.00			4,060,755.00
Machinery & Equip.	<u>776,793.00</u>			(281,721.00)	495,072.00
Total Depreciable					
Capital Assets	<u>7,107,075.00</u>	458,473.00		(281,721.00)	7,283,827.00
Less Accumulated					
Depreciation:					
Building	(1,144,001.00)	(76,267.00))		(1,220,268.00)
Site Improvements	(220,001.00)	(14,667.00))		(234,668.00)
Vehicles	(2,275,795.00)	(89,790.00))		(2,365,585.00)
Machinery & Equip.	<u>(467,472.00)</u>	(26,024.00))	<u>307,332.00</u>	(186,164.00)
Total Accumulated					
Depreciation	(4,107,269.00)	(206,748.00))	<u>307,332.00</u>	(<u>4,006,685.00</u>)
Total Capital Assets					
Being Depreciated,					
Net of Accumulated					
Depreciation	<u>2,999,806.00</u>	251,725.00	·	25,611.00	3,277,142.00
Conital Access Net	¢ 2 500 906 00	251 725 00		25 (11 00	2 977 142 00
Capital Assets, Net	\$ 3,599,806.00	<u>251,725.00</u>		<u>25,611.00</u>	<u>3,877,142.00</u>

Depreciation expense was charged to the following governmental functions:

Cost of Operations and Maintenance

\$206,748.00

NOTE 5: LONG-TERM OBLIGATIONS

During the year ended December 31, 2024, the following changes occurred in long-term obligations:

	Outstanding <u>Jan. 1, 2024</u>	Increases	<u>Decreases</u>	Principal Outstanding Dec. 31, 2024	Due Within <u>One Year</u>
Long Term Debt: Pension Liability	<u>\$ 36,641</u>	<u>0</u>	<u>1,081</u>	<u>35,560</u>	<u>0</u>

NOTE 6: RISK MANAGEMENT

The Fire 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.

<u>Property and Liability Insurance</u> – The Fire District maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 7: PENSION OBLIGATIONS

A. Public Employee's Retirement System (PERS)

Based on the latest available information provided by the State of New Jersey.

Plan Description – The State of New Jersey, Public Employee's Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Annual Financial Statements which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by *N.J.S.A.* 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions – The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer's portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024, the State's pension contribution was less than the actuarial determined amount. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$3,561.00 for 2024.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Components of Net Pension Liability – At December 31, 2024, the District reported a liability of \$35,560 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2023, to the measurement date of June 30, 2024. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The District's proportion measured as of June 30, 2024, was .00026%, which was .00001% higher as its proportion measured as of June 30, 2023.

Actuarial Valuation Date	Dec. 31, 2024 July 1, 2023	Dec. 31, 2023 July 1, 2022
Net Pension Liability	\$ 35,560	36,641
District's Portion of the Plan's Total Net Pension Liability	0.00026%	0.00025%

For the year ended December 31, 2024, the District had an allocated pension benefit of \$4,081.

Actuarial Assumptions – The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	PERS
Measurement Date	June 30, 2024
Actuarial Valuation Date	July 1, 2023
Inflation Rate; Price Wage	2.75% 3.25%
Salary Increases	2.75 - 6.55%
Inflation Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disables retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2024 are summarized in the following table:

		Long-Term
		Expected
	Target	Real Rate
Asset Class	<u>Allocation</u>	<u>of Return</u>
US Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Market Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

		Discount	
	Decrease (6.0%)	Rate (7.0%)	Increase (8.0%)
District's Proportionate Share			
Of Net Pension Liability	<u>\$ 50,741</u>	<u>35,560</u>	<u>29,926</u>

NOTE 8: FUND BALANCES

Reserved

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

For Future Capital Outlays — These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2024, the balance for future capital outlays is \$894,405 of which \$120,000 is designated for subsequent year's expenditures.

Unreserved

Of the \$2,902,118 of fund balance at December 31, 2024, \$390,000 has been designated for subsequent year's expenditures, \$894,405 is reserved for future capital outlays; and \$565,896 is unreserved. There is also \$931,817 in the Capital Fund for heating upgrades and the purchase of communications equipment, along with vehicles.

NOTE 9: LENGTH OF SERVICE AWARD PROGRAMS

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted on November 17, 1998 pursuant to Section 457 (e)(11)(13) 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 Township of Howell Fire District No. 2 approved the adoption of the Plan at the annual election held in February, and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 1999. The Plan provides tax deferred income benefits to active volunteer firefighters.

NOTE 9: LENGTH OF SERVICE AWARD PROGRAMS (Continued)

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

As required by N.J.A.C. 5:30-14.48, the Fire District must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

NOTE 10: SUBSEQUENT EVENTS

A review of operations to June 30, 2025 revealed no items which would have a material effect on the December 31, 2024 financial statements.

$\underline{\textbf{TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2-ADELPHIA}}$

COUNTY OF MONMOUTH

PART II

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2024

HOWEL Local Sources: Local Tax Levy Miscellaneous Total Local Sources: Administration: Sladrics and Wages Sharins and Repairs Operating: hastrance and Repairs Professional Services Rental Changes Supply Expense Hydrant Rentals Other Outside Services Promotion Personal Equipment LOSAP LOSAP Total Expenditures Scoss (Deficiency) of Revanues Over/(Under) Expenditures Ada Excess (Deficiency) of Revenues Over/(Under) Expenditures	BUDGETARY COMPARISON SCHEDULE GENERAL FUND DECEMBER 31, 2024 Original Budget Budget Budget Budget Budget Transfers Budget I Transfers Budget I,444,720 1,444,720 2,5,000 1,000 2,200 1,000 2,200 1,000 2,200 1,000 2,200 1,000 2,200 1,200 1,200 1,200 1,200 1,200 1,344,000 1,444,000 1,444,	ARISON SCHEDULE L FUND R 31, 2024 Transfers	Final Budget 1,444,720 1,444,720 1,444,720 1,444,720 1,000 25,000 11,000 25,000 11,000 27,500 100,000 1,200 90,000 1,200 90,000 1,344,200	Actual 1,444,720 224,069 1,668,789 1,668,789 1,668,789 1,005 1131,350 1131,350 1131,350 1131,350 1131,350 1131,350 1131,350 1131,350 1131,350 1131,350 1131,350 1131,350 1131,347 1100,000 1134,724 11,041,342 606 72,723 11,041,342	Variance Final to Actual 224,069 224,069 224,069 224,069 1,395 1,395 28,650 96,642 18,063 12,021 20,237 20,790 16,276 13,375 594 10,360 32,277 302,858
Fund Balance, January 1	1,742,854		1,742,854	1,742,854	120,020
Fund Balance, December 31	\$ 1,443,574	•	1,443,374	1,970,301	526,927

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

Exhibit C-3

NOTE TO RSI

FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "revenues" from the budgetary	
comparison schedules	\$ 1,668,789
Total revenues as reported on the statement of revenues,	
expenditures and changes in fund balances - governmental	
funds.	\$ 1,668,789
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the	
budgetary comparison schedule	\$ 1,041,342
Total expenditures as reported on the statement of revenues,	
expenditures, and changes in fund balances - governmental	
funds.	\$ 1,041,342

HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

SUMMARY OF PROJECT EXPENDITURES

DECEMBER 31, 2024

Exhibit F-1

Project Title	Appr	Appropriation	Balance Jan. 1, 2023	Transfer from Reserve for Capital Outlays	Expended Year 2024	Appropriation Cancelled	Balance Dec. 31, 2024
neaung Upgrade and Purchase of Communications Equipment	€	74,797	74,797				74,797
Generator		140,000	140,000				140,000
Air System Upgades		000,09	60,000				000'09
Purchase of Tanker		400,000	400,000		77,980	•	322,020
Stand by Generator		100,000		100,000			100,000
Tractor		100,000		100,000			100,000
Chiefs Vehicle		200,000		200,000	65,000		135,000
	es	\$ 1,074,797	674,797	400,000	142,980	1	931,817

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit H-1

COUNTY OF MONMOUTH

LENGTH OF SERVICE AWARD PROGRAM

COMPARATIVE STATEMENT OF NET POSITION AVAILABLE

FOR PROGRAM BENEFITS

	2024	2023
Assets Investments Held by Trustee	\$ 2,549,029	2,357,476
Accounts Receivable Fire District Contributions	70,653	84,870_
Total Assets	\$ 2,619,682	2,442,346
Net Position Net Position Available for Program Benefits	\$ 2,619,681	2,442,346

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit H-2

COUNTY OF MONMOUTH

LENGTH OF SERVICE AWARD PROGRAM

COMPARATIVE STATEMENT OF CHANGES IN NET POSITION AVAILABLE

FOR PROGRAM BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Increases in Program Assets		
Principal Contributions	\$ 70,653	84,870
Program Earnings - Net	326,728	331,162
Total Increase in Net Position	397,381	416,032
Decreases in Program Assets		
Distributions	220,045	23,604
Net Increase (Decrease) in Program Assets	177,336	392,428
Net Position Available for Program Benefits		
Beginning of Year	2,442,346	2,049,918
End of Year	\$ 2,619,682	2,442,346

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 -ADELPHIA

COUNTY OF MONMOUTH

Exhibit H-3

LENGTH OF SERVICE AWARD PROGRAM

SCHEDULE OF INVESTMENT PROGRAM ACTIVITY

	326,728	70,653	\$ 2,442,346	Valic Variable Annuity Life Insurance Company
Ö	Earnings	Contributions	Dec. 31, 2023	Investments
Ă	ed by	Increase	Balance	

Balance		2,619,682
Decreased by	Distributions/	220,045
sed by	Earnings	326,728
Increa	Contributions	70,653
Balance	Dec. 31, 2023	\$ 2,442,346
		ce Company

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992) ROBERT A. HULSART, C.P.A., R.M.A., P.S.A. ROBERT A. HULSART, JR.,C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND REPORTING 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 Howell Fire District #2 - Adelphia Howell, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Township of Howell Fire District No. 2 (the "District"), as of and for the year ended December 31, 2024, as listed in the table of contents, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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 then 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 identity all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert A. Hulsart and Company
Independent Auditors

Wall Township, New Jersey June 30, 2025

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA COUNTY OF MONMOUTH

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2024

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FIRE DISTRICT NO. 2

TOWNSHIP OF HOWELL, NEW JERSEY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule of Financial Statement Findings

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 <u>Government Auditing Standards</u> and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

FIRE DISTRICT NO. 2

TOWNSHIP OF HOWELL, NEW JERSEY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT

FOR THE YEAR ENDED DECEMBER 31, 2024

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

FINANCIAL STATEMENT FINDINGS

Recommendations:

None.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

ROBERT A. HULSART & COMPANY Certified Public Accountants