

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2017

Prepared by:
Gerard Stankiewicz, CPA
For the Firm of:
Samuel Klein and Company
Certified Public Accountants
36 West Main Street, Suite 303
Freehold, New Jersey 07728

ABERDEEN TOWNSHIP FIRE DISTRICT #1

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ABERDEEN TOWNSHIP FIRE DISTRICT #1

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SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, NJ 07102-9969
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, NJ 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Aberdeen Township Fire District No. 1
County of Monmouth
State of New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Aberdeen Township Fire District No. 1 (the "District") as of and for the year ended which collectively comprise the Fire District's basic financial statements as listed in the table of contents December 31, 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and auditing standards prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion on U.S. Generally Accepted Accounting Principles

In our 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 District as of December 31, 2017, and the respective changes on financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated April 30, 2018 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 grants agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Our audit was performed for the purpose of forming an opinion on the financial statements of the District taken as a whole. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data as required by the Local Finance Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Gerard Stankiewicz
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
April 30, 2018

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, NJ 07102-9969
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, NJ 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS – STATUTORY BASIS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Fire Commissioners
Aberdeen Township Fire District No. 1
County of Monmouth
State of New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and the related notes to the financial statements of the Aberdeen Township Fire District No. 1, County of Monmouth, State of New Jersey (the "District") as of and for the year ended December 31, 2017, which comprise the District's basic financial statements and have issued our report thereon dated April 30, 2018.

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 circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 than a material weakness, yet important enough to merit attention by those charged with governance.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS – STATUTORY BASIS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We noted certain immaterial matters that are discussed in the Comments and Recommendation section. We did not identifying any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic 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 several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the General Comments and Recommendations section of the audit that are immaterial matters are noted.

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. This report is intended solely for the information of the District and its management, and other federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Gerard Stankiewicz
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
April 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Aberdeen Township Fire District #1's (District) annual financial report, the management of the District provides narrative discussion and analysis of the financial activities of the District for the audit year ending December 31, 2017.

The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

Discussion of Financial Statements Included in Annual Audit

The District prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements which consist of the Statement of Net Position, the Statement of Activities and Change in Net Position is prepared on an accrual basis and is in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. These statements are the official financial statements of the Aberdeen Township Fire District #1.

After the first set of statements and the "Notes to the Financial Statements" that follow is the second set of statements. These statements are considered "Supplemental Information".

The District has historically presented its financial statements on a "GAAP Basis", and continues to do so because it relates more fairly to the annual budget for the same period. The annual budget records all encumbrances as charges against the adopted appropriation even if the items or services have not been received.

Contained in the supplemental information are statements that report the Statement of Net Position, Statement of Revenues, Expenditures and Change in Net Position and Statement of Expenditures Compared to Budget. These statements compare the "Budget" revenues and expenses to "Actual" revenues and expenses. They include operating revenues and expenses, nonoperating revenues and nonoperating expenses. Principal and Interest are reported in this statement as Debt Service expense, and depreciation is not reported as an expense. On the "GAAP" based and "Modified GAAP" based, Depreciation Expense is included, and only the Interest Expense component of the Debt Service expense is reported.

The Budget to Actual statement is a very important statement to the District management, because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

Other information or statements incorporated within the annual audit report are the Schedules of Cash and Cash Equivalents and Investments – Restricted and Unrestricted.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the District, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report.

Aberdeen Township Fire District #1

Comparative Statement of Net Position

The Aberdeen Township Fire District #1's total assets \$1,673,252 and Deferred Outflows of \$361,422 totaling \$2,034,674 less total liabilities of \$949,306 and Deferred Inflow of \$118,914 resulting in net position of \$966,454.

The Aberdeen Township Fire District #1's Net Position of \$966,454 is comprised of the following:

1. Invested in Capital Assets is \$1,188,175.
2. Unrestricted Unreserved Net Position is a deficit of \$251,330 which is the result of the required accrual of the net pension liability.
3. Unrestricted reserved Net Position is \$29,609 which represents the remaining portion of the \$675,000 authorized by the vendor in the budget for the purchase of the enforcer-pumper fire truck.

Net Position decreased by \$389,959 due to the utilization of funds to acquire a new fire truck.

	As of December 31,	
	<u>2017</u>	<u>2016</u>
Total Current Assets	\$ 485,077	\$ 753,771
Capital Assets - Net	<u>1,188,175</u>	<u>939,837</u>
Total Assets	<u>\$ 1,673,252</u>	<u>\$ 1,693,608</u>
Deferred Outflows of Resources	<u>\$ 361,422</u>	<u>\$ 256,083</u>
Total Current Liabilities Payable from Current Assets:		
Unrestricted	<u>\$ 356,888</u>	<u>\$ 52,833</u>
Total Long-Term Liabilities Payable from Long-Term Assets:		
Pension Obligation	<u>\$ 592,418</u>	<u>\$ 540,445</u>
Total Liabilities	<u>\$ 949,306</u>	<u>\$ 593,278</u>
Deferred Inflows of Resources	<u>\$ 118,914</u>	
Net Position		
Restricted:		
Net Investment in Capital Assets	\$ 1,188,175	\$ 939,837
Unrestricted:		
Reserved	29,609	
Unreserved	<u>(251,330)</u>	<u>416,576</u>
Net Position	<u>\$ 966,454</u>	<u>\$ 1,356,413</u>

Comparative Statement of Revenues, Expenses and Change in Net Position

Total Operating Revenues increased \$2,997 or 0.43% from the prior year.

Operating Expenses, exclusive of depreciation, increased \$348,801 or 53.74% from the prior year.

Total Operating Revenues less Total Operating Expenses produced a deficit of \$397,625. This was off-set by the miscellaneous nonoperating revenue of \$7,666 bringing the actual deficit to \$389,959; however \$675,000 was reserved in the 2017 budget for the purchase of the enforcer-pumper fire truck which explains the significant increase in expenditures and the decrease in net position.

Net Position as of December 31, 2017 decreased \$389,848 from \$1,356,413 to \$966,454.

	December 31,	
	<u>2017</u>	<u>2016</u>
Total Operating Revenues	\$ <u>703,085</u>	\$ <u>700,088</u>
Operating Expenses	\$ 997,861	\$ 649,060
Depreciation	<u>102,849</u>	<u>109,680</u>
Total Operating Expenses	\$ <u>1,100,710</u>	\$ <u>758,740</u>
Operating Income/(Loss)	\$ (397,625)	\$ (58,652)
Nonoperating Income - Net	<u>7,666</u>	<u>16,913</u>
Change in Net Position - Increase/(Decrease)	\$ (389,959)	\$ (41,739)
Net Position, Beginning	<u>1,356,413</u>	<u>1,398,152</u>
Net Position, Ending	\$ <u><u>966,454</u></u>	\$ <u><u>1,356,413</u></u>

Core Competencies

The Aberdeen Township Fire District #1 governs an all-volunteer fire company serving mainly the western portion of Aberdeen Township in the County of Monmouth and also some of the surrounding townships and boros. The Board of Fire Commissioners is made up of 5 members who are charged with serving the community by raising money through the budget process and expanding those funds for the protection of the township's residents.

The Fire District supports 1 firehouse and 5 pieces of fire apparatus, the last of which was purchased in 2013. Other expenses are incurred in the maintaining the volunteers with the best equipment to fight fires and maintaining the fire apparatus in top shape to provide a maximum amount of safety to the volunteers and residents.

The District's budget is voted on at the Annual Fire District Election which is by statute on the third Saturday of February. The budget process begins in October with preparing the details and is finalized and introduced in November and a public hearing is held in December. If the voters defeat the budget, then the Mayor and Township Committee have the right to set the budget. The budget is prepared on a calendar year basis.

The District has a contract with the fire company for use of their building. The Fire Company has approximately thirty-six (36) volunteer members. The District also participates on a mutual aid consortium for assistance to and from neighboring municipalities.

The main revenue of the District is property taxes which are subject to the annual fire district election. The other sources of revenue are surplus and miscellaneous revenue which accrues to the fund balance of the District.

The majority of the budget relates to salary, insurance, fire fighter protective equipment and uniforms, and repair and maintenance of fire trucks.

In 2016, the voters of the District approved a referendum authorizing the use of \$675,000.00 of fund balance in the 2017 budget for the purchase of an enforcer-pumper fire truck through the HGAC Buying Cooperative Program. The deposit for the chassis and several Scott Pacs has been capitalized as Construction in Progress totaling \$351,187. The truck is scheduled to be delivered in 2018.

Accountability

The Aberdeen Township Fire District #1's mission statement is:

The Mission Statement:

Our mission for the Aberdeen Township Fire District #1 is to provide the ultimate in fire protection services. Always responsive to the residents' needs and the growing community, in compliance with the applicable laws, rules and regulations, the District will continue to set and exceed the standards for the protection of the property, while operating the most efficient system and maintaining a cost effective budget.

As the mission reads, this is who and what the District is accountable to. The District's accountability, first and foremost, is to protect the property. The goal is to provide a cost effective and reliable service, and at the same time to protect the property. This means the District is accountable to the residents, the agencies and people served using the same principles: cost effective, efficient, reliable and protective.

As a district, the District is also guided by or accountable to state government and the applicable rules and regulations that govern the Aberdeen Township Fire District #1. More specifically, the District is accountable to the Department of Community Affairs, Division of Local Government Services.

Management of the District

The Commissioners manage the daily operations of the District in conjunction with the Fire Official. The clerk of the District handles the bookkeeping operations.

Funding of Infrastructure and Debt Management

The District is required by statute to present its capital projects or capital assets acquisition to the voters of the District for approval. Once approved, the District can proceed to put the required financing in place; however, subject to the Local Finance Board's approval.

Auditors

The District Auditor is Gerard Stankiewicz, CPA of Samuel Klein and Company.

Audits can be obtained by contacting Aberdeen Township Fire District #1.

FINANCIAL STATEMENTS

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Balance December 31, <u>2017</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ <u>485,076.68</u>
Noncurrent Assets:	
Capital Assets, Net	\$ <u>1,188,175.03</u>
Total Assets	\$ <u><u>1,673,251.71</u></u>
<u>DEFERED OUTFLOWS OF RESOURCES</u>	
Pension	\$ <u><u>361,422.00</u></u>
<u>LIABILITIES</u>	
Current Liabilities Payable from Current Assets:	
Commitments Payable	\$ 331,444.24
Account Payable	<u>25,443.91</u>
Total Current Liabilities Payable from Current Assets	\$ <u>356,888.15</u>
Noncurrent Liabilities:	
Pension Obligation	\$ <u>592,418.00</u>
Total Noncurrent Liabilities	\$ <u>592,418.00</u>
Total Liabilities	\$ <u><u>949,306.15</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension	\$ <u><u>118,914.00</u></u>
<u>NET POSITION</u>	
Restricted:	
Net Investment in Capital Assets	\$ 1,188,175.03
Unrestricted:	
Reserved	29,609.13
Unreserved	<u>(251,330.60)</u>
Net Position	\$ <u><u>966,453.56</u></u>

See Accompanying Notes to Financial Statements

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

<u>Functions/Programs</u>		Total Government Activities Net (Expense)/Revenue and Change in Net Position
Expenditures:		
Administrative:		
Personnel:		
Salaries and Fringe Benefits	\$ 159,381.20	
Other:		
Professional Services	22,026.59	
Office Expenses & Maintenance	29,507.62	
Membership Dues & Travel Expenses	4,374.41	
Advertising & Elections	1,968.35	
Training & Education & Fire Prevention	959.35	
Utilities and Related Expenses	19,277.53	
Insurance	<u>37,030.31</u>	\$ 274,525.36
Cost of Providing Services:		
Personnel:		
Salary & Fringe Benefits	\$ 279,891.62	
Other:		
Automotive Fuel	4,679.16	
Fire Fighter Protective Equipment & Uniforms	70,435.69	
Maintenance & Repairs	65,797.31	
SFSP Grant	3,328.50	
Assistance to Training Grounds	5,000.00	
Depreciation	<u>102,849.09</u>	<u>531,981.37</u>
Total Government Activities		\$ <u>806,506.73</u>
<u>General Revenues</u>		
Taxation - General Fund	\$ 649,808.00	
SFSP Grant	3,328.50	
Interest	1,879.80	
Other Revenue - Inspections, Fines and Tickets	<u>48,068.62</u>	\$ <u>703,084.92</u>
Change in Net Position		(103,421.81)
Miscellaneous - Net	\$ 7,665.84	
Capital Commitments Payable - New Fire Truck	<u>(294,203.61)</u>	\$ <u>(286,537.77)</u>
		\$ (389,959.58)
Net Position - Beginning		<u>1,356,413.14</u>
Net Position - Ending		<u>\$ 966,453.56</u>

See accompanying Notes to Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION – PART I

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Total General Fund</u>
Current Assets:	
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 474,894.97
Interfund Receivable	<u>10,181.71</u>
Total Current Assets	<u>\$ 485,076.68</u>
Current Liabilities Payable from	
Unrestricted Assets:	
Accounts Payable	\$ 1,867.91
Commitments Payable	<u>331,444.24</u>
Total Current Liabilities	<u>\$ 333,312.15</u>
Net Position:	
Unrestricted:	
Restricted	\$ 29,609.13
Unrestricted	<u>122,155.40</u>
Net Position	<u>\$ 151,764.53</u>
Net Position above:	\$ 151,764.53
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 capital assets is \$3,426,061.03 and the accumulated depreciation is \$2,237,886.00 (see Note 4).	
	<u>\$ 1,188,175.03</u>
Pension adjustments (Note 6):	
Deferred outflow/inflow of resources	\$ 242,508.00
Accrued pension liability	(23,576.00)
Net pension liability	<u>(592,418.00)</u>
Net Position of governmental activities (A-1)	<u>\$ 966,453.56</u>

See Accompanying Notes to Financial Statements

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN NET POSITION
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<u>REVENUES</u>			
Other Revenue	\$ 48,068.62		\$ 48,068.62
Interest on Investments	1,879.80		1,879.80
Other Grants and Entitlements		\$ 3,328.50	3,328.50
Amount to be Raised by Taxation	<u>649,808.00</u>		<u>649,808.00</u>
Total Revenues	\$ <u>699,756.42</u>	\$ <u>3,328.50</u>	\$ <u>703,084.92</u>
<u>EXPENDITURES</u>			
Operating	\$ 627,416.14	\$ 3,328.50	\$ 630,744.64
Capital	<u>645,390.87</u>		<u>645,390.87</u>
Total Expenditures	\$ <u>1,272,807.01</u>	\$ <u>3,328.50</u>	\$ <u>1,276,135.51</u>
Excess of Revenues over Expenditures	\$ <u>(573,050.59)</u>	<u>-</u>	\$ <u>(573,050.59)</u>
Other Financial Sources/(Uses):			
Provision for Accrued Sick Pay	\$ (3,108.75)		\$ (3,108.75)
Miscellaneous Revenue	10,935.84		10,935.84
Provision for Prior Year Payroll			
Deductions Payable	<u>(161.25)</u>		<u>(161.25)</u>
	(565,384.75)	-	(565,384.75)
Net Position, beginning	<u>717,149.28</u>		<u>717,149.28</u>
Net Position, ending	\$ <u><u>151,764.53</u></u>	<u><u>-</u></u>	\$ <u><u>151,764.53</u></u>

See Accompanying Notes to Financial Statements

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
FIDUCIARY FUND
PAYROLL FUND
STATEMENT OF ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2017

	<u>December 31,</u> <u>2017</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>10,641.07</u>
Total Assets	\$ <u><u>10,641.07</u></u>
<u>LIABILITIES</u>	
Payroll Deductions Payable	\$ 459.36
Due to General Fund	<u>10,181.71</u>
Total Liabilities	\$ <u><u>10,641.07</u></u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1. **REPORTING ENTITY**

This report includes the financial statements of the Aberdeen Township Fire District #1 (the "District"), within the County of Monmouth, in the State of New Jersey and reflects the activities for the District that are under the control of the Board of Fire Commissioners.

The District was established in accordance with the provisions of N.J.S.A. 40A:14-70.

The District is not a component unit of any other financial reporting entity nor does the District have any component units to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

The Aberdeen Township Fire District #1 is a political subdivision of the Township of Aberdeen Township, Monmouth County, New Jersey. The District's geographic area is described in Aberdeen Township Ordinance 14-2.1. The District functions independently through a Board of Fire Commissioners. The Board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements (i.e., the statement of net position and the statement of change in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to residents or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Basis of Accounting

The accrual basis of accounting is followed. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

General Fund – The General Fund is the general operating fund of the District and is used to account for its inflows and outflows of financial resources. The acquisition of certain capital assets, such as firefighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental Funds (Continued)

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

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance that must be 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 general noncurrent liabilities.

Capital Assets – Property, plant and equipment purchased by the general fund and the capital projects fund are recorded as expenditures at the time of purchase. The historical cost, or if such cost is not practically determinable, the estimated historical cost, of such fixed assets is reflected in the Capital Assets account.

Noncurrent Obligations

Noncurrent debt is recognized as a liability of the Fire District when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other noncurrent obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000.00 or 2 percent of the assessed valuation of property, whichever is larger.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental Funds (Continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Net Position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net position to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements. Net Position represents the difference between assets, deferred outflows, deferred inflows and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any noncurrent debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Accounting and Financial Reporting for Pensions

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement on Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the stated net position. 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 government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the fall of each preceding year for the general, special revenue, and debt service funds. The budgets are submitted to the State, Department of Community Affairs, Division of Local Government Services, Bureau of District Regulation for approval and are voted upon by the registered voters of the Township at the annual fire district election on the third Saturday in February. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts. Transfers of appropriations may be made by District resolution at any time during the last two months of the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Subsequent Events

Management has reviewed and evaluated all events and transactions from December 31, 2017 through April 30, 2018, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the arbitrage maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, fire districts are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or,

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The amount on deposit of District's cash and cash equivalents at December 31, 2017 is as follows:

Checking Account	\$ 101,237.87
Money Market	<u>428,149.84</u>
	<u>\$ 529,387.71</u>

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

In addition, a variety of State laws permit local governments to invest in a wide range of obligations issued by State governments and its agencies.

C. Risk Analysis

All bank deposits, as of the net position date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 4. **CAPITAL ASSETS**

All reported capital assets except for land are depreciated. At December 31, 2017, capital assets and the useful lives used for determination of annual depreciation were as follows:

	Balance December 31, 2016 <u>(as Adjusted)</u>	Current Year's Activity <u>Increase</u>	Balance December 31, 2017
Non Depreciable:			
Construction-in-Progress		\$ 351,187.26	\$ 351,187.26
Depreciable:			
Buildings & Improvs.	\$ 823,621.42		823,621.42
Machinery & Equip.	<u>2,251,252.35</u>		<u>2,251,252.35</u>
	\$ 3,074,873.77	\$ 351,187.26	\$ 3,426,061.03
Less: Accumulated Depreciation	<u>2,135,036.91</u>	<u>102,849.09</u>	<u>2,237,886.00</u>
	<u>\$ 939,836.86</u>	<u>\$ 248,338.17</u>	<u>\$ 1,188,175.03</u>

The Construction in Progress consists of the deposit for the chassis and several Scott Pacs for the new enforcer-pumper fire truck.

Note 5. **LENGTH OF SERVICE AWARDS PROGRAM**

The District does not participate in the Length of Service Awards Program (LOSAP).

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6. PENSION PLAN

Public Employees' Retirement System (PERS)

The State of New Jersey, Public Employees' 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 Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.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, except for medical benefits, which vest after twenty-five (25) years of service or under the disability provisions of PERS.

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 tier 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 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 reach the service retirement age for the respective tier.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Employee contributions for 2017 were seven and 20/100th percent (7.20%) and effective July 1, 2017, employee contributions increased to seven and 34/100th percent (7.34%) of the employee's base wages.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 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.

The District's contributions to the plan for the past three (3) years are as follows:

PERS					
Pension					
<u>Year</u>	<u>Normal</u>	<u>Accrued</u>	<u>NCGI Premium</u>	<u>Net Cost</u>	<u>Employees</u>
2017	\$ 2,536.00	\$ 12,904.00	\$ 771.00	\$ 16,211.00	\$ 13,279.85
2016	2,284.00	10,519.00	685.00	13,488.00	13,119.82
2015	2,069.00	9,571.00	788.00	12,428.00	12,024.52

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2017 and June 30, 2016 Independent Auditor's Report dated April 27, 2018 and April 6, 2017, respectively.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Funding Policy (Continued)

The District reported a liability of \$592,418 and \$540,445 for its proportionate share of the net pension liability at December 31, 2017 and December 31, 2016, respectively. The net pension liability was measured as of June 30, 2017 and June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative District to the projected contributions of all participating entities, actuarially determined.

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Local Group Share	\$ 23,278,401,588	\$ 29,617,131,759
Authority Proportionate Percentage	0.0025449237 %	0.0018247704 %
Difference - Increase	0.0007201533 %	

For the year ended December 31, 2017, the District recognized pension expense of \$96,488. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of of Resources</u>	<u>Deferred Inflows of of Resources</u>
Changes in assumptions	\$ 119,352	\$ 118,914
Net difference between expected and actual experience	13,949	
Net difference between projected and actual investment earnings on pension plan investment	4,034	
Changes in proportion	200,511	
Authority contributions subsequent to the measurement date	23,576	
Total	<u>\$ 361,422</u>	<u>\$ 118,914</u>

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Funding Policy (Continued)

The \$23,576 reported as deferred outflows of resources related to pensions resulting from entities contributions subsequent to the measurement date (i.e. for the District year ending December 31, 2017, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the District year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense based on local share as follows:

<u>December 31,</u>	<u>Amount</u>
2018	\$ 13,946
2019	21,045
2020	12,752
2021	(16,960)
2022	(12,362)

Additional Information

Collective local employees balances at June 30, 2017 are as follows:

	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 5,700,625,891
Collective net pension liability	\$ 23,278,401,588
Authority's proportion	0.0025449237 %

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65 - 4.15 Percent (based on age)
Thereafter	2.65 - 5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back two years for males and seven years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and females) for service retirement and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement scales used to value disabled retirees based on the RP-2000 Disabled Mortality Tables (setback 3 years for males and set forward 1 year for females).

The actuarial assumptions used in July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates; the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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 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, 2017 are summarized in the following table:

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00 %	5.51 %
Cash Equivalents	5.50	1.00
U.S. Treasuries	3.00	1.87
Investment Grade Credit	10.00	3.78
Public High Yield	2.50	6.82
Global Diversified Credit	5.00	7.10
Credit oriented Hedge Funds	1.00	6.60
Debt related Private Equity	2.00	10.63
Debt related Real Estate	1.00	6.61
Private Real Asset	2.50	11.83
Equity related Real Estate	6.25	9.23
U.S. Equity	30.00	8.19
Non-U.S. Developed Markets Equity	11.50	9.00
Emerging Market Equities	6.50	11.64
Buyouts/Venture Capital	8.25	13.08

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 will be made based on the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of The Collective Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	At Current	1% Increase
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
Authority's proportionate share of the Local Group pension liability	\$ 734,934	\$ 592,418	\$ 473,684

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS) or by visiting their website at www.state.nj.us/treasury/pensions/pers1.shtml.

Note 7. POST EMPLOYMENT RETIREMENT BENEFITS

In addition to the pension benefits described in Note 11, the District provides post-retirement healthcare benefits for employees and their dependents who retire with 25 years or more of service, of which the last ten (10) years are with Aberdeen Township Fire District. Benefits consist of full medical coverage as if the individuals were still employed, until they become eligible for Medicare, at which time Medicare becomes the primary insurer and the District plan becomes the secondary insurer.

The District is a participant in the New Jersey State Health Benefit Program ("NJSHBP") for active and retired employees. The NJSHBP provides medical, prescription drug, mental health/substance abuse and Medicaid Part B reimbursement to retirees and their spouses and dependents.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7. POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

The District provides for the retiree health benefits on a "Pay as You Go" basis. The District's contributions to NJSHBP for the last three years were as follows:

<u>Fiscal Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2017	1	\$ 7,239.96
2016	1	6,929.40
2015	1	6,629.88

Plan Description – NJSHBP

The NJSHBP as of July 1, 2016 had statewide for all groups of employees of 355,534 active and 229,020 retired for a total of 584,554 members. The District had three (3) active and one (1) retired employee for a total of four (4).

An actuarial valuation as of July 1, 2016 (issued June 2017) was performed for the NJSHBP for all local active and retired employees plan-wide for the projected benefits obligation.

In accordance with GASB's 43 and 45, the NJSHBP has been determined to be a cost-sharing multiple-employer plan. Under GASB 45, the District is not required nor allowed to accrue reserves to fund the ultimate payment of the retirees health benefit obligation that is being earned.

Funding Policy – The contribution requirements of plan members are established and may be amended by the state legislature. Participating local government units are contractually required to contribute at a rate assessed each year by the NJSHBP. The NJSHB Commission sets the employer contribution rate based on the annual required contribution of the employers (ARC) as established in an annual rate recommendation report.

The NJSHBP issues a publicly available financial report that includes financial statements and required supplementary information for the NJSHBP and the actuarial valuation. Those reports may be obtained by writing to the State of New Jersey Department of Treasury, Division of Pension and Benefits, 50 West State Street, Trenton, NJ 08625-0299 or on the State of New Jersey website.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 8. GENERAL NONCURRENT DEBT

The District has no debt outstanding nor authorized but not issued outstanding.

Note 9. FUND BALANCE APPROPRIATED

Of the General Fund Balance of \$151,764.53, \$29,609.13 is restricted for the acquisition cost of a new fire truck approved by the voters on February 20, 2016 and provided for in the 2017 budget, in the amount of \$675,000.00. The balance of \$122,155.40 is unrestricted and unreserved.

Note 10. JOINT FIRE DISTRICT TRAINING GROUND FUND

The financial statements of the District do not include the operations of the Township of Aberdeen Joint Fire District Training Ground Fund.

This Training Ground Fund was created by the Aberdeen Township Fire Districts No. 1 and No. 2 to establish a Fire Training Ground Fund which accumulates funds for the construction and maintenance of Fire Training Facilities. Each Fire District raises money in its annual budget for the fund. The records of the Joint Fire District Training Ground Fund are maintained by District No. 1. Aberdeen Fire District No. 1 has contributed \$5,000.00 per year for the years 2003-2017. The funds have not been audited.

Note 11. COMMITMENTS AND CONTINGENCIES

Litigation – The District's attorney representation has revealed no material contingent liability for the District.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

ABERDEEN TOWNSHIP FIRE DISTRICT #1
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FOUR (4) FISCAL YEARS *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0025449237 %	0.0018247704 %	0.0015688614 %	0.0015075470% %
District's proportionate share of the net pension liability (asset)	\$ 592,418	\$ 540,445	\$ 352,178	\$ 282,254
District's covered-employee payroll	\$ 182,416	\$ 184,011	\$ 172,024	\$ 148,868
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	324.76 %	293.70 %	204.73 %	189.61 %
Plan fiduciary net position as a percentage of the total pension liability	48.10 %	40.14 %	47.93 %	48.72 %

Note: Only the last four (4) years of information are presented as GASB 68 was implemented during the year ended December 31, 2015. Eventually a full ten (10) year schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - there were none.

Changes of Assumptions - the discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FOUR (4) FISCAL YEARS *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,211	\$ 13,488	\$ 12,428	\$ 7,825
Contributions in relation to the contractually required contribution	<u>\$ 16,211</u>	<u>\$ 13,488</u>	<u>\$ 12,428</u>	<u>\$ 7,825</u>
Contribution deficiency (excess)	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
District's covered-employee payroll	\$ 182,416	\$ 184,011	\$ 172,024	\$ 148,868
Contributions as a percentage of covered-employee payroll	8.89 %	7.33 %	7.22 %	5.26 %

Note: Only the last four (4) years of information are presented as GASB 68 was implemented during the year ended December 31, 2015. Eventually a full ten (10) years schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - there were none.

Changes of Assumptions - the discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GOVERNMENTAL FUNDS
GENERAL FUND
STATEMENT OF REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Fund Balance Utilized	\$ 675,000.00	\$ 675,000.00	
Amount to be Raised by Taxation	649,811.00	649,808.00	\$ (3.00)
Other Revenue	32,783.00	37,219.00	4,436.00
Uniform Fire Safety Act - Other Revenue	10,000.00	10,849.62	849.62
Supplemental Fire Services Program	3,328.00	3,328.50	0.50
Interest on Investments & Deposits	<u>1,000.00</u>	<u>1,879.80</u>	<u>879.80</u>
	\$ 1,371,922.00	\$ 1,378,084.92	\$ 6,162.92
Nonbudget Revenue	<u> </u>	<u>10,935.84</u>	<u>10,935.84</u>
	<u>\$ 1,371,922.00</u>	<u>\$ 1,389,020.76</u>	<u>\$ 17,098.76</u>

ANALYSIS OF NONBUDGETED REVENUE

	<u>Total</u>
Nonbudget Revenue:	
Sale of Truck	\$ 10,000.00
Use of Facility	900.00
Rebates and Refunds	29.20
Prior Year Cancelled Check	<u>6.64</u>
	<u>\$ 10,935.84</u>

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>General Fund</u>				
Operating Appropriations:				
Administrative:				
Personnel:				
Salaries	\$ 91,075.00	\$ 91,075.00	\$ 91,074.98	\$ 0.02
Fringe Benefits:				
Medical Insurance	16,120.00	16,120.00	15,376.05	743.95
Pension	4,263.48	4,263.48	4,263.48	
Employer Portion of Federal and State Income Taxes	8,190.00	8,190.00	7,311.42	878.58
Worker's Compensation Insurance	15,600.00	15,600.00	14,900.27	699.73
Subtotal:	<u>135,248.48</u>	<u>135,248.48</u>	<u>132,926.20</u>	<u>2,322.28</u>
Other:				
Office Expenses	6,000.00	6,000.00	6,028.71	(28.71)
Office Maintenance and Repairs	20,000.00	20,000.00	23,478.91	(3,478.91)
Membership Dues	2,300.00	2,300.00	2,349.75	(49.75)
Utilities and Related Expenses	20,000.00	20,000.00	19,277.53	722.47
Professional Services	25,000.00	25,000.00	22,026.59	2,973.41
Travel Expenses, Meeting & Conventions	3,000.00	3,000.00	2,024.66	975.34
Elections	1,500.00	1,500.00	1,547.50	(47.50)
Advertising	800.00	800.00	420.85	379.15
Insurance Premiums	40,000.00	40,000.00	37,030.31	2,969.69
Training & Education	1,000.00	1,000.00	566.35	433.65
Fire Prevention	700.00	700.00	393.00	307.00
Subtotal:	<u>120,300.00</u>	<u>120,300.00</u>	<u>115,144.16</u>	<u>5,155.84</u>
Cost of Providing Services:				
Personnel:				
Salaries	132,944.00	132,944.00	132,794.82	149.18
Fringe Benefit:				
Medical Insurance	45,880.00	45,880.00	43,762.61	2,117.39
Pension	12,134.52	12,134.52	12,134.52	
Employer Portion of Federal and State Income Taxes	12,810.00	12,810.00	11,436.11	1,373.89
Worker's Compensation Insurance	24,400.00	24,400.00	23,305.56	1,094.44
Subtotal:	<u>228,168.52</u>	<u>228,168.52</u>	<u>223,433.62</u>	<u>4,734.90</u>

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other:				
Automobile Fuel	\$ 5,437.00	\$ 5,437.00	\$ 4,679.16	\$ 757.84
Maintenance & Repairs	69,011.00	69,011.00	65,797.31	3,213.69
Training Grounds	5,000.00	5,000.00	5,000.00	
Uniforms & Personal Equipment	43,757.00	43,757.00	43,706.00	51.00
Firefighter Personal Protective Equipment	30,000.00	30,000.00	10,575.19	19,424.81
Mandated Breathing Apparatus	50,000.00	50,000.00	16,154.50	33,845.50
Subtotal:	<u>203,205.00</u>	<u>203,205.00</u>	<u>145,912.16</u>	<u>57,292.84</u>
	<u>\$ 686,922.00</u>	<u>\$ 686,922.00</u>	<u>\$ 617,416.14</u>	<u>\$ 69,505.86</u>
Appropriation Offset with Revenue:				
Salaries	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	
	<u>\$ 696,922.00</u>	<u>\$ 696,922.00</u>	<u>\$ 627,416.14</u>	<u>\$ 69,505.86</u>
Capital Appropriations:				
Enforcer Pumper Fire Truck	<u>675,000.00</u>	<u>675,000.00</u>	<u>675,000.00</u>	
Total Appropriation	<u>\$ 1,371,922.00</u>	<u>\$ 1,371,922.00</u>	<u>\$ 1,302,416.14</u>	<u>\$ 69,505.86</u>
<u>Analysis of Actual:</u>				
Cash Disbursed			\$ 976,735.49	
Commitments Payable - New Fire Truck			294,203.61	
Accounts Payable			1,867.91	
Transfer to Restricted Fund Balance - New Fire Truck			<u>29,609.13</u>	
			<u>\$ 1,302,416.14</u>	

SUPPLEMENTARY INFORMATION

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS
YEAR ENDED DECEMBER 31, 2017

	<u>Governmental Fund</u>		<u>Fiduciary Fund</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
Receipts:				
District Taxes	\$ 649,808.00			\$ 649,808.00
Interest on Investments	1,879.80			1,879.80
Other Grants or Entitlements		\$ 3,328.50		3,328.50
Transfer from Payroll Fund				
Other Revenue -				
Inspections, Fines and Tickets	48,068.62			48,068.62
Nonbudget Revenue	10,935.84			10,935.84
Interfund Payable			\$ 3,382.58	3,382.58
Transfer from General Fund -Budget			331,678.83	331,678.83
	<u>\$ 710,692.26</u>	<u>\$ 3,328.50</u>	<u>\$ 335,061.41</u>	<u>\$ 1,049,082.17</u>
Disbursements:				
SFSP		\$ 3,328.50		3,328.50
Payroll Expenditures			\$ 331,678.83	331,678.83
Operating Appropriations	\$ 976,735.49			976,735.49
Accounts Payable - Prior Year	2,489.75			2,489.75
Interfund Receivable - Payroll	3,382.58			3,382.58
Miscellaneous	161.25			161.25
	<u>\$ 982,769.07</u>	<u>\$ 3,328.50</u>	<u>\$ 331,678.83</u>	<u>\$ 1,317,776.40</u>
Increase in Cash and Cash Equivalents	\$ (272,076.81)		\$ 3,382.58	\$ (268,694.23)
Cash and Cash Equivalents, January 1, 2016	<u>746,971.78</u>		<u>6,799.13</u>	<u>753,770.91</u>
Cash and Cash Equivalents, December 31, 2017	<u>\$ 474,894.97</u>		<u>\$ 10,181.71</u>	<u>\$ 485,076.68</u>
Analysis of Cash and Cash Equivalents:				
Cash - Checking	\$ 46,745.13		\$ 10,181.71	\$ 56,926.84
Savings	428,149.84			428,149.84
	<u>\$ 474,894.97</u>		<u>\$ 10,181.71</u>	<u>\$ 485,076.68</u>

ABERDEEN TOWNSHIP FIRE DISTRICT #1
STATISTICAL INFORMATION
DECEMBER 31, 2017

Property Tax Levies

Following is a tabulation of the District's assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2017	\$ 1,350,814,900.00	\$ 649,811.00	0.049
2016	1,318,816,339.00	649,811.00	0.050
2015	1,316,005,300.00	649,811.00	0.050
2014	1,295,741,550.00	582,312.00	0.045
2013	1,355,489,000.00	572,354.00	0.043

Unrestricted Net Position

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Year Budget</u>
December 31, 2017	\$ 122,155.40	None
December 31, 2016	717,149.28	\$ 675,000.00
December 31, 2015	588,313.03	None
December 31, 2014	511,313.03	None
December 31, 2013	380,805.23	None

BOARD OF FIRE COMMISSIONERS
ABERDEEN TOWNSHIP FIRE DISTRICT #1
ROSTER OF OFFICIALS
DECEMBER 31, 2017

Board of Commissioners

<u>Position</u>	
Vincent Vinci	President
James Lauro	Vice President - Buildings and Grounds
E. Paul Percussi	Secretary
James Vena	Treasurer *
Steven Castellano	Insurance and Fire Protection - <i>resigned 4/3/2017</i>
Gary Bellone	Financial Secretary - <i>effective 4/4/2017</i>

Other Officials

Allen E. Falk, Esq.	Board Attorney
Robert DeBold	Fire Official
William Smith, Jr.	Fire Inspector
Janet Capo	Office Manager
Columbia Bank	Official Depository

*** Surety Company**

American Alternative Ins. Co.
Amount of Bond \$100,000.00

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2017

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Fire District #1, Aberdeen Township handled by the bookkeeper of the Fire District.

The financial records were maintained in adequate condition.

Minutes of Board meetings were properly maintained.

Cash and Cash Equivalents and Investments

The balances in banks at December 31, 2017 were verified with the bank and reconciliations and/or statements issued by the depositories.

Our examination revealed that the Fire District maintains its investable funds in a money market fund.

Examination of Claims

The budget as prescribed on Exhibit RSI-4 is the detail one as maintained by the Office Secretary. It is in agreement in total to the approved budget. There were three (3) line items overexpended; the largest of which was due to an unanticipated expenditure, however the total budget was not.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Claims paid during the period under audit were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocation to the proper accounts and charged to the proper fiscal period, and in agreement with bill lists set forth in the approved minutes of the Board.

Payroll

The payroll examination revealed that salaries were paid in accordance with triennial salaries contract authorized by the Board and within the guidelines set up in the annual budget. Commissioners salaries were increased and approved by the Board; however, we were not able to trace the action to the minutes.

GENERAL COMMENTS AND RECOMMENDATIONS
(CONTINUED)
DECEMBER 31, 2017

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (as amended)

N.J.S. 40A:11-4 (as amended) states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding \$17,500.00 since the District does not employ a Qualified Purchasing Agent ("QPA") except by contract or agreement."

The members of the Aberdeen Township Fire District #1 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

In addition, the following items were purchased under state or cooperative purchasing contract:

Fire Equipment
Fire Truck Repairs

Firefighter Apparel
Fire Truck

There was a general resolution documenting the approval of the purchase of the fire equipment, apparel and repairs under state contract. While it is legal and proper to purchase goods or services under State contract, resolutions are required for any purchases in excess of the Local Public Contract Law threshold of \$17,500.00. These are isolated incidences and were however, discussed in the minutes of the Commissioners.

Inasmuch as the system of records did not provide for any accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21. It is suggested that consideration be given to utilizing a "Quote Documentation" sheet for all expenditures greater than \$2,625.00 (the quote threshold).

GENERAL COMMENTS AND RECOMMENDATIONS
(CONTINUED)
DECEMBER 31, 2017

Financial Procedures

It is suggested that for all financial processes within each function that a review, updating and documentation of all procedures be done in order to be in compliance with recent accounting and auditing requirements related to internal control.

General Ledger

The District does not maintain a general ledger as required by the General Accounting Office (GAO). It should be noted that an adequate trail exists for the cash receipts and cash disbursements records.

Miscellaneous

An exit conference was held in accordance with Auditing Standards Generally Accepted in the United States of America for governmental entities.

Follow-up on Prior Year Recommendation

A corrective plan of action is not required for 2017 since there were no recommendations.

The general problems and weaknesses that were documented prior year, including the areas of accounting and controls over revenues, expenditures and payroll, have been improved upon by the District's clerk.

Acknowledgment

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

RECOMMENDATIONS

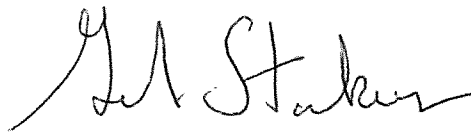
DECEMBER 31, 2017

None.

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gerard Stankiewicz", with a stylized flourish at the end.

Gerard Stankiewicz, CPA, RMA

For The Firm

SAMUEL KLEIN AND COMPANY