

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2020

Prepared by:
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ABERDEEN TOWNSHIP FIRE DISTRICT #1
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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, 2020.

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, 2020, 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 February 15, 2022 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
February 15, 2022

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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, 2020, which comprise the District's basic financial statements and have issued our report thereon dated February 15, 2022.

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 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
February 15, 2022

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, 2020.

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 \$1,753,074 and Deferred Outflow of Resources \$316,026 less Total Liabilities of \$1,242,846 and Deferred Inflow of Resources \$571,698, resulting in Net Position of \$254,556

The Aberdeen Township Fire District #1's Net Position of \$254,556 is comprised of the following:

1. Invested in Capital Assets is \$1,251,430.
2. Unrestricted Unreserved Net Position is a deficit of \$1,009,796 which is the result of the required accrual of the net pension and OPEB liability.
3. Restricted Net Position of \$12,922.

| | As of December 31, | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Total Current Assets | \$ 501,644 | \$ 428,176 |
| Capital Assets - Net | <u>1,251,430</u> | <u>1,300,993</u> |
| Total Assets | <u>\$ 1,753,074</u> | <u>\$ 1,729,169</u> |
| Deferred Outflow of Resources | <u>\$ 316,026</u> | <u>\$ 220,835</u> |
| Total Current Liabilities Payable from Current Assets: | | |
| Unrestricted | <u>\$ 85,740</u> | <u>\$ 74,896</u> |
| Total Long-Term Liabilities Payable from Long-Term Assets: | | |
| Pension Obligation | \$ 468,136 | \$ 494,056 |
| OPEB Obligation | <u>688,970</u> | <u>484,543</u> |
| | <u>1,157,106</u> | <u>978,599</u> |
| Total Liabilities | <u>\$ 1,242,846</u> | <u>\$ 1,053,495</u> |
| Deferred Inflow of Resources | <u>\$ 571,698</u> | <u>\$ 606,273</u> |
| Net Position | | |
| Restricted: | | |
| Net Investment in Capital Assets | \$ 1,251,430 | \$ 1,300,993 |
| Restricted Capital | 12,922 | |
| Unrestricted: | | |
| Unreserved (Deficit) | <u>(1,009,796)</u> | <u>(1,010,757)</u> |
| Net Position | <u>\$ 254,556</u> | <u>\$ 290,236</u> |

Comparative Statement of Revenues, Expenses and Change in Net Position

Total Operating Revenues decreased \$36,095 or 4.36% from the prior year.

Operating Expenses, exclusive of depreciation, increased \$1,459 or 0.20% from the prior year.

Total Operating Revenues less Total Operating Expenses produced a deficit of \$35,679.

Net Position as of December 31, 2020 decreased \$35,679 from \$290,235 to \$254,556.

| | December 31, | |
|---|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> |
| Total Operating Revenues | \$ <u>791,306</u> | \$ <u>827,401</u> |
| Operating Expenses | \$ 730,343 | \$ 728,886 |
| Depreciation | <u>96,642</u> | <u>95,275</u> |
| Total Operating Expenses | \$ <u>826,985</u> | \$ <u>824,161</u> |
| Operating Income/(Loss) | \$ (35,679) | \$ 3,240 |
| Change in Net Position Increase/(Decrease) | \$ (35,679) | \$ 3,240 |
| Net Position, Beginning | <u>290,235</u> | <u>286,995</u> |
| Net Position, Ending | \$ <u><u>254,556</u></u> | \$ <u><u>290,235</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 2018. 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.

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 it's 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, 2020

| | Balance December 31, 2020 |
|---|---------------------------------|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 501,644.43 |
| Noncurrent Assets: | |
| Capital Assets, Net | 1,251,429.57 |
| Total Assets | <u>\$ 1,753,074.00</u> |
| <u>DEFERED OUTFLOWS OF RESOURCES</u> | |
| Pension | \$ 136,382.00 |
| OPEB | 179,644.00 |
| | <u>\$ 316,026.00</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities Payable from Current Assets: | |
| Account Payable | \$ 34,950.01 |
| Commitments Payable | 50,790.27 |
| Total Current Liabilities Payable from Current Assets | <u>\$ 85,740.28</u> |
| Noncurrent Liabilities: | |
| Pension Obligation | \$ 468,136.00 |
| OPEB Obligation | 688,970.00 |
| | <u>\$ 1,157,106.00</u> |
| Total Liabilities | <u>\$ 1,242,846.28</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Pension | \$ 197,669.00 |
| OPEB | 374,029.00 |
| | <u>\$ 571,698.00</u> |
| <u>NET POSITION</u> | |
| Restricted: | |
| Net Investment in Capital Assets | \$ 1,251,429.57 |
| Restricted | 12,921.63 |
| Unrestricted (Deficit) | <u>(1,009,795.48)</u> |
| Net Position | <u>\$ 254,555.72</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, 2020

| <u>Functions/Programs</u> | Total <u>Government Activities</u> Net (Expense)/Revenue and <u>Change in Net Position</u> |
|--|---|
| Expenditures: | |
| Administrative: | |
| Personnel: | |
| Salaries and Fringe Benefits | \$ 148,685.65 |
| Other: | |
| Professional Services | 27,525.29 |
| Office Expenses & Maintenance | 34,510.67 |
| Membership Dues & Travel Expenses | 707.00 |
| Advertising & Elections | 1,715.15 |
| Utilities and Related Expenses | 19,415.56 |
| Training & Education | 273.00 |
| Insurance | 40,671.39 |
| | \$ <u>273,503.71</u> |
| Cost of Providing Services: | |
| Personnel: | |
| Salary & Fringe Benefits | \$ 313,166.66 |
| Other: | |
| Automotive Fuel | 3,502.57 |
| Firefighter protective equipment | 20,876.34 |
| Fire Fighter Uniforms | 58,864.15 |
| Maintenance & Repairs | 52,102.39 |
| Assistance to Training Grounds | 5,000.00 |
| Grant - SFSP | 3,328.50 |
| Depreciation | 96,641.58 |
| | \$ <u>553,482.19</u> |
| Total Government Activities | \$ <u>826,985.90</u> |
| <u>General Revenues</u> | |
| Taxation: | |
| General Fund | \$ 661,419.00 |
| Capital Projects | 60,000.00 |
| Interest | 1,664.08 |
| Grant - SFSP | 3,328.50 |
| Miscellaneous Revenue | 17,437.68 |
| Other Revenue - Inspections, Fines and Tickets | 47,457.00 |
| | \$ <u>791,306.26</u> |
| Change in Net Position | \$ (35,679.64) |
| Net Position - Beginning | <u>290,235.36</u> |
| Net Position - Ending | \$ <u><u>254,555.72</u></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, 2020

| | <u>Fund</u> | | |
|----------------------------------|-----------------------------|----------------------------|-----------------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
| Current Assets: | | | |
| Unrestricted Assets: | | | |
| Cash and Cash Equivalents | \$ <u>488,722.80</u> | \$ <u>12,921.63</u> | \$ <u>501,644.43</u> |
| Total Current Assets | \$ <u><u>488,722.80</u></u> | \$ <u><u>12,921.63</u></u> | \$ <u><u>501,644.43</u></u> |
| Current Liabilities Payable from | | | |
| Unrestricted Assets: | | | |
| Accounts Payable | \$ <u>3,546.01</u> | | \$ <u>3,546.01</u> |
| Commitments Payable | <u>50,790.27</u> | | <u>50,790.27</u> |
| Total Current Liabilities | \$ <u><u>54,336.28</u></u> | | \$ <u><u>54,336.28</u></u> |
| Net Position: | | | |
| Restricted | | \$ <u>12,921.63</u> | \$ <u>12,921.63</u> |
| Unrestricted | \$ <u>434,386.52</u> | | <u>434,386.52</u> |
| Net Position | \$ <u><u>434,386.52</u></u> | \$ <u><u>12,921.63</u></u> | \$ <u><u>447,308.15</u></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, 2020

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|--------------------------------------|-------------------------|-------------------------------------|--------------------------------------|----------------------|
| <u>REVENUES</u> | | | | |
| Other Revenue | \$ 47,457.00 | | | \$ 47,457.00 |
| Interest on Investments | 1,664.08 | | | 1,664.08 |
| Other Grants and Entitlements | | \$ 3,328.50 | | 3,328.50 |
| Amount to be Raised by Taxation | <u>661,419.00</u> | | <u>\$ 60,000.00</u> | <u>721,419.00</u> |
| Total Revenues | <u>\$ 710,540.08</u> | <u>\$ 3,328.50</u> | <u>\$ 60,000.00</u> | <u>\$ 773,868.58</u> |
| <u>EXPENDITURES</u> | | | | |
| Operating | \$ 673,650.83 | \$ 3,328.50 | | \$ 676,979.33 |
| Capital | | | <u>\$ 47,078.37</u> | <u>47,078.37</u> |
| Total Expenditures | <u>\$ 673,650.83</u> | <u>\$ 3,328.50</u> | <u>\$ 47,078.37</u> | <u>\$ 724,057.70</u> |
| Excess of Revenues over Expenditures | <u>\$ 36,889.25</u> | <u>-</u> | <u>\$ 12,921.63</u> | <u>\$ 49,810.88</u> |
| Other Financial Sources/(Uses): | | | | |
| Miscellaneous Revenue | <u>17,437.68</u> | | | <u>17,437.68</u> |
| | \$ 54,326.93 | - | \$ 12,921.63 | \$ 67,248.56 |
| Net Position, beginning | <u>380,059.59</u> | <u>-</u> | <u>-</u> | <u>380,059.59</u> |
| Net Position, ending | <u>\$ 434,386.52</u> | <u>-</u> | <u>\$ 12,921.63</u> | <u>\$ 447,308.15</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, 2020

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 of 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, 2020

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, 2020

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, 2020

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.

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.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Net Position (Continued)

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 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.

Accounting and Financial Reporting for Other Post-Employment Benefits ("OPEB")

Statement No. 75 – The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service.

In addition, Statement No. 75 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net OPEB liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 75, 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 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Accounting and Financial Reporting for Other Post-Employment Benefits ("OPEB")
(Continued)

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to OPEB, contributions made after the measurement date of the beginning net OPEB 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.

GASB Statement No. 84 Fiduciary Activities

The District implemented GASB Statement No. 84 Fiduciary Activities on January 1, 2020. The objective of this Statement is to improve reporting regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The District reclassified the payroll agency and payroll net accounts to the General Fund.

Claims and Judgments

These events and obligations are recorded on the accrual basis, when the event occurs and the obligation arises.

Revenue Recognition

The District recognizes revenue on the accrual basis as earned. In the event of nonpayment are subject to municipal tax sale.

Contributions

Contributions received from various sources as grants are recorded in the period they become measurable. Donated assets are recorded at fair market value based on the cost estimates. They are recorded in the period in which the assets are donated to the District. All contributions and donations are presented separately after nonoperating revenues and expenses.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

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 District 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.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Budgets/Budgetary Control (Continued)

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.

Other Accounting Standards

- GASB Statement No. 87. Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The District does not expect this Statement to impact its financial statements.

- GASB Statement No. 89. *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encourage. The requirements of this Statement should be applied prospectively. The District does not expect this Statement to impact its financial statements.

- GASB Statement No. 91. *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The District does not expect this Statement to impact its financial statements.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Other Accounting Standards (Continued)

- *GASB Statement 92. Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

Effective Date: The requirements of this Statement are effective as follows:

(a) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

(b) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

(c) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

(d) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. The District does not expect this Statement to impact its financial statement.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Other Accounting Standards (Continued)

- *GASB Statement 93. Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR).

Effective Date: The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The District does not expect this Statement to impact its financial statement.

- *GASB Statement 94. Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 and all PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). Implementation has been postponed to June 15, 2022. The District does not expect this Statement to impact its financial statement.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Other Accounting Standards (Continued)

- *GASB Statement 96. Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Station..

- *GASB Statement 97. Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Other Accounting Standards (Continued)

- *GASB Statement 97 (Continued)*

Effective Date: The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Subsequent Events

Management has reviewed and evaluated all events and transactions from December 31, 2020 through February 15, 2022, 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.

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.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash (Continued)

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, 2020 is as follows:

| | |
|------------------|----------------------|
| Payroll Account | \$ 23,317.46 |
| Checking Account | 61,139.62 |
| Money Market | <u>468,232.35</u> |
| | <u>\$ 552,689.43</u> |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020

Note 4. CAPITAL ASSETS

All reported capital assets except for land are depreciated. At December 31, 2020, capital assets and the useful lives used for determination of annual depreciation were as follows:

| | Balance December 31, 2019 | Current Year's Activity | | Balance December 31, 2020 |
|-----------------------------------|---------------------------------|----------------------------|----------|---------------------------------|
| | | Increase | Decrease | |
| Depreciable: | | | | |
| Buildings & Improvs. | \$ 823,621.42 | | | \$ 823,621.42 |
| Machinery & Equip. | <u>2,544,147.27</u> | <u>47,078.37</u> | | <u>2,591,225.64</u> |
| | \$ 3,367,768.69 | 47,078.37 | | \$ 3,414,847.06 |
| Less: Accumulated Depreciation | <u>2,066,775.92</u> | <u>\$ 96,641.58</u> | | <u>2,163,417.50</u> |
| | <u>\$ 1,300,992.77</u> | <u>\$ (49,563.21)</u> | | <u>\$ 1,251,429.56</u> |

Note 5. LENGTH OF SERVICE AWARDS PROGRAM

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

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.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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, 2020

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 2020 were seven and 50/100th percent (7.50%) 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> |
| 2020 | \$ 2,468.00 | \$ 22,839.00 | \$ 1,564.00 | \$ 26,871.00 | \$ 16,715.00 |
| 2019 | 3,229.00 | 21,434.00 | 1,475.00 | 26,138.00 | 15,980.52 |
| 2018 | 3,103.00 | 19,324.00 | 1,149.00 | 23,576.00 | 14,229.41 |

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, 2020 and June 30, 2019 Independent Auditor's Report dated June 4, 2021 and June 15, 2020, respectively.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Funding Policy (Continued)

The District reported a liability of \$468,136 and \$494,056 for its proportionate share of the net pension liability at December 31, 2020 and December 31, 2019, respectively. The net pension liability was measured as of June 30, 2020 and June 30, 2019 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, [Measurement Date]</u> | |
|-----------------------------------|------------------------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Local Group Statewide Share | | \$ 18,143,832,135 |
| District Proportionate Percentage | 0.0028706991 % | 0.0027419401 % |
| Difference - Increase | 0.0001287590 % | |

For the year ended December 31, 2020, the District recognized pension expense of \$70,578. At December 31, 2020, 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 | \$ 15,187 | \$ 196,013 |
| Net difference between expected and actual experience | 8,524 | 1,656 |
| Net difference between projected and actual investment earnings on pension plan investment | 16,001 | |
| Changes in proportion | 96,670 | |
| District contributions subsequent to the measurement date | 31,404 | |
| Total | <u>\$ 167,786</u> | <u>\$ 197,669</u> |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Funding Policy (Continued)

The \$31,404 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, 2020, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net pension liability in the District year ended December 31, 2019. 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> |
|---------------------|---------------|
| 2021 | \$ (58,742) |
| 2022 | (53,545) |
| 2023 | (30,605) |
| 2024 | (12,376) |
| 2025 | (2,677) |

Additional Information

Collective local (statewide) employees balances are as follows:

| | <u>[Measurement Date]</u> | |
|---|---------------------------|----------------------|
| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
| Collective deferred outflows of resources | \$ 2,347,583,337 | \$ 3,149,522,616 |
| Collective deferred inflows of resources | 7,849,949,467 | 7,645,087,574 |
| Collective Pension Expense | 16,435,616,426 | 974,471,686 |
| Collective net pension liability | 407,705,399 | 18,143,832,135 |
| District's proportion | 0.0028706691 % | 0.0027419401 % |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases: | |
| Through 2026 | 2.00%-6.00% (based on year of service) |
| Thereafter | 3.00%-7.00% (based on year of service)) |
| Investment 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 disabled 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-2020.

The actuarial assumptions used in July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) 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, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|----------------------------------|------------------------------|---|
| US Equity | 27.00 % | 7.71 % |
| Non-U.S. Developed Market Equity | 13.50 | 8.57 |
| Emerging Market Equity | 5.50 | 10.23 |
| Private Equity | 13.00 | 11.42 |
| Real Assets | 3.00 | 9.73 |
| Real Estate | 8.00 | 9.56 |
| High Yield | 2.00 | 5.95 |
| Private Credit | 8.00 | 7.59 |
| Investment Grade Credit | 8.00 | 2.67 |
| Cash Equivalents | 4.00 | 0.50 |
| U.S. Treasuries | 5.00 | 1.94 |
| Risk Mitigation Strategies | 3.00 | 3.40 |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 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 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, 2020 and June 30, 2019 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:

| December 31, 2020 (measurement date of June 30, 2020) | | | |
|--|-------------------------------|-----------------------------|------------|
| At Current | | | |
| 1% Decrease <u>6.00%</u> | Discount Rate <u>7.00%</u> | 1% Increase <u>8.00%</u> | |
| District's proportionate share of the pension liability | \$ 593,939 | \$ 468,136 | \$ 368,143 |

| December 31, 2019 (measurement date of June 30, 2019) | | | |
|--|-------------------------------|-----------------------------|------------|
| At Current | | | |
| 1% Decrease <u>4.00%</u> | Discount Rate <u>5.00%</u> | 1% Increase <u>6.00%</u> | |
| District's proportionate share of the pension liability | \$ 734,934 | \$ 494,056 | \$ 476,684 |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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. OTHER POST EMPLOYMENT BENEFITS ("OPEB")

Data for the PERS was abstracted from the State of New Jersey Local Governmental Retired Employee Plan as of June 30, 2020 and June 30, 2019 Independent Auditor's Reports dated January 28, 2022 and December 8, 2020, respectively.

In addition to the pension benefits described in Note 6, 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.

Plan Description – NJSHBP

The NJSHBP as of July 1, 2019 had statewide for the local employee groups of 62,547 active and 30,614 retired for a total of 93,161 members. The District at December 31, 2020 had three (3) active and one (1) retired employees for a total participation of four (4).

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 7. **OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)**

Plan Description – NJSHBP (Continued)

The NJSHBP aggregate other post-employment benefit (OPEB) cost (expense) is calculated based on the aggregate required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The OPEB obligation represents the total of cumulative difference between the OPEB cost since the effective date of GASB No. 45 and the employer's contributions and other adjustments to the NJSHBP.

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.

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, refer to the New Jersey Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)

Plan Description – NJSHBP (Continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission, Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: (1) retired on a disability pension; or (2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or (3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or (4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

GASB Statement No. 75 requires participating employers in the plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)

Plan Description – NJSHBP (Continued)

The portion of the OPEB Liability that was associated with the District recognized is as follows:

| <u>June 30 [Measurement Date]</u> | |
|-----------------------------------|------------------|
| <u>2020</u> | <u>2019</u> |
| \$ 688,970.00 | \$ 484,543.00 |

The proportion of the PERS Net OPEB Liability associated with the District's liability is as follows:

| <u>June 30 [Measurement Date]</u> | |
|-----------------------------------|---------------|
| <u>2020</u> | <u>2019</u> |
| 0.038390 % | 0.035770 % |

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

| | |
|-------------------|-----------------------|
| Inflation rate | 2.50% |
| | <u>PERS</u> |
| | <i>(based on age)</i> |
| Salary increases: | |
| through 2026 | 2.00% - 6.00% |
| Thereafter | 3.00% - 7.00% |

Preretirement mortality rates were based on Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Post-retirement mortality rates were based on Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven (7) years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.50% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven (7) years.

Discount Rate

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following represents the total nonemployer OPEB liability as of June 30th calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB 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, 2020 [<i>Measurement Date</i>] | | |
|---|------------------------------------|----------------------------------|
| At 1% <u>Decrease (1.21%)</u> | At Discount <u>Rate (2.21%)</u> | At 1% <u>Increase (3.21%)</u> |
| \$ 814,509 | \$ 688,970 | \$ 596,506 |
| June 30, 2019 [<i>Measurement Date</i>] | | |
| At 1% <u>Decrease (2.50%)</u> | At Discount <u>Rate (3.50%)</u> | At 1% <u>Increase (4.50%)</u> |
| \$ 560,255 | \$ 484,543 | \$ 423,017 |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate

The following represents the total nonemployer OPEB liability as of June 30th calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| June 30, 2020 [<i>Measurement Date</i>] | | |
|---|-----------------------------------|-----------------------|
| <u>At 1% Decrease</u> | <u>Healthcare Cost Trend Rate</u> | <u>At 1% Increase</u> |
| \$ 570,124 | \$ 688,970 | \$ 844,602 |

| June 30, 2019 [<i>Measurement Date</i>] | | |
|---|-----------------------------------|-----------------------|
| <u>At 1% Decrease</u> | <u>Healthcare Cost Trend Rate</u> | <u>At 1% Increase</u> |
| \$ 408,895 | \$ 484,543 | \$ 581,042 |

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2014.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB benefit of \$17,213 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The following table illustrates the Deferred Inflows and Outflows as of June 30, 2020 under GASB 75 prior to any reduction due to the Fiscal Year 2020 amortizations.

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--|------------------------------|-----------------------------|
| Net Difference between Expected and Actual | | |
| Earnings on OPEB Plan Investments | \$ 438 | \$ - |
| Change in Proportion | 58,011 | 92,514 |
| Difference between Expected and | | |
| Actual Experience | 18,147 | 128,299 |
| Changes in Assumptions | <u>103,048</u> | <u>153,216</u> |
| Total | <u>\$ 179,644</u> | <u>\$ 374,029</u> |

Amount recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

| <u>December 31,</u> | <u>Amount</u> |
|---------------------|---------------|
| 2021 | \$ (37,036) |
| 2022 | (37,069) |
| 2023 | (37,123) |
| 2024 | (37,173) |
| 2025 | (25,348) |
| Total Thereafter | 13,865 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)

Additional Information

Collective balances of the Local Retirement Group are as follows:

| | <u>June 30, [Measurement Date]</u> | |
|-----------------------------------|------------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Deferred outflows of resources | \$ 7,524,438,130 | \$ 2,780,762,999 |
| Deferred inflows of resources | 11,689,136,161 | 11,531,430,224 |
| Net OPEB liability | 17,946,612,946 | 13,546,071,100 |
| Total expenses - non-employer | 141,988,939 | (126,256,186) |
| District proportionate percentage | 0.003839 % | 0.003577 % |

Shown below are details regarding the Total OPEB Liability for the measurement period:

| | <u>[Measurement Date]</u> | |
|---|-----------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>Total OPEB Liability</u> | |
| Balance as of June 30, | \$ 13,819,244,582 | \$ 15,981,103,227 |
| Changes Recognized for the Fiscal Year: | | |
| Service Cost | \$ 605,949,339 | \$ 666,574,660 |
| Interest on the Total OPEB Liability | 497,444,533 | 636,082,461 |
| Changes of Assumptions | 3,074,968,821 | (1,635,760,217) |
| Change of Benefit Terms | 1,034,142 | (1,903,958) |
| Difference between Expected and Actual Expenses | 541,506,395 | (1,399,921,930) |
| Gross Benefit Payments | (466,218,997) | (470,179,613) |
| Contributions from the Member | 37,546,413 | 43,249,952 |
| Net Changes | \$ 4,292,230,646 | \$ (2,161,858,645) |
| Balance as of June 30 | <u>\$ 18,111,475,228</u> | <u>\$ 13,819,244,582</u> |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS ("OPEB") (CONTINUED)

Additional Information (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.5% in 2019 to 2.21% in 2020. The component of the Net OPEB Liability is as follows:

| | <i>Measurement Date</i> | |
|-----------------------------------|--------------------------|--------------------------|
| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
| Total OPEB Liability | \$ 18,111,475,228 | \$ 13,819,244,582 |
| Plan Fiduciary Net Position | <u>164,862,282</u> | <u>273,173,482</u> |
| Net OPEB Liability | \$ <u>17,946,612,946</u> | \$ <u>13,546,071,100</u> |
| Net Position | | |
| as a Percentage of OPEB Liability | 0.91026% | 1.96% |
| OPEB Expense | \$ | \$ |
| Special Funding Situation | 5,462,102,232 | 5,525,718,739 |
| Non-special Funding Situation | <u>12,484,510,614</u> | <u>8,020,352,361</u> |
| | \$ <u>17,946,612,846</u> | \$ <u>13,546,071,100</u> |

Note 8. GENERAL NONCURRENT DEBT

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

Note 9. FUND BALANCE

Basic Financial Statements – Of the General Fund Balance of \$434,386.52, all is unrestricted and unreserved.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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 2003-2020. 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.

Note 12. **SUBSEQUENT EVENT: COVID-19 CORONAVIRUS PANDEMIC**

The COVID-19 Coronavirus outbreak in the United States has caused the Governor of the State of New Jersey to mandate closures and a curfew for all nonessential citizens and businesses. The management of the District (which is essential) has evaluated the impact of the situation and has determined that there is no adverse impact on its December 31, 2020 financial statements (*audited*). Financial impact in 2021 is uncertain at this time. A significant portion of the revenue to support District 2021 operations is taxation all of which, collectible and inspection fees have the potential for reduction; however, the final outcome for 2021 is uncertain at this time. It is not known at this time if there are any federal or state funds available for impact relief.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

ABERDEEN TOWNSHIP FIRE DISTRICT #1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST SEVEN (7) FISCAL YEARS

| <u>Year</u> | <u>District's Proportion of Net Pension Liability</u> | <u>District's Proportionate Share of Net Pension Liability (asset)</u> | <u>District's Covered Payroll</u> | <u>District's Proportionate Share of Net Pension Liability (asset) as Percentage of Covered-Employee Payroll</u> | <u>Plan Fiduciary Net Position as Percentage of Total Pension Liability</u> |
|-------------|---|--|---|--|---|
| 2020 | 0.0028706991 % | \$ 468,136 | \$ 222,870 | 210.05 % | 58.32 % |
| 2019 | 0.0027419401 | 494,056 | 207,740 | 237.83 | 56.27 |
| 2018 | 0.0025976280 | 511,460 | 191,737 | 266.76 | 48.40 |
| 2017 | 0.0025449237 | 592,418 | 182,416 | 324.76 | 48.10 |
| 2016 | 0.0018247704 | 540,445 | 184,011 | 293.70 | 40.14 |
| 2015 | 0.0015688614 | 352,178 | 172,024 | 204.73 | 47.93 |
| 2014 | 0.0015075470 | 282,254 | 148,868 | 189.61 | 48.72 |

Note: Only the last seven (7) 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 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST SEVEN (7) FISCAL YEARS

| <u>Year</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contributions</u> | <u>Contribution Deficiency (excess)</u> | <u>District's Covered Payroll</u> | <u>Contributions as Percentage of Covered-Payroll</u> |
|-------------|--|--|---|---|---|
| 2020 | \$ 26,780 | \$ 26,780 | None | \$ 222,870 | 12.01 % |
| 2019 | 25,968 | 25,968 | None | 207,740 | 12.50 |
| 2018 | 24,009 | 24,009 | None | 191,737 | 12.52 |
| 2017 | 16,211 | 16,211 | None | 182,416 | 8.89 |
| 2016 | 13,488 | 13,488 | None | 184,011 | 7.33 |
| 2015 | 12,428 | 12,428 | None | 172,024 | 7.22 |
| 2014 | 7,825 | 7,825 | None | 148,868 | 5.26 |

Note: Only the last seven (7) 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 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GOVERNMENTAL FUNDS
GENERAL FUND
STATEMENT OF REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2020

| | <u>Anticipated</u> | <u>Realized</u> | <u>Excess/ (Deficit)</u> |
|--|-----------------------------|----------------------|------------------------------|
| Amount to be Raised by Taxation | \$ 661,419.00 | \$ 661,419.00 | |
| Other Revenue | 60,000.00 | 37,457.00 | \$ (22,543.00) |
| Interest on Investments & Deposits | 1,000.00 | 1,664.08 | 664.08 |
| Total Revenue Offset by Appropriations | <u>10,000.00</u> | <u>10,000.00</u> | |
| | \$ 732,419.00 | \$ 710,540.08 | \$ (21,878.92) |
| Nonbudget Revenue | <u> </u> | <u>17,437.68</u> | <u>17,437.68</u> |
| | \$ <u>732,419.00</u> | \$ <u>727,977.76</u> | \$ <u>(4,441.24)</u> |

ANALYSIS OF NONBUDGET REVENUE

Nonbudget Revenue:

Rebates and Refunds

\$ 17,437.68

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2020

| | <u>Budget</u> | <u>Adjusted Budget</u> | <u>Actual</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|--|----------------------|----------------------------|----------------------|--|
| <u>General Fund</u> | | | | |
| Operating Appropriations: | | | | |
| Administrative: | | | | |
| Salaries | \$ 104,010.00 | \$ 104,010.00 | \$ 100,154.86 | \$ 3,855.14 |
| Fringe Benefits: | | | | |
| Medical Insurance | 11,723.00 | 11,723.00 | 11,723.00 | - |
| Pension | 6,427.00 | 6,427.00 | 6,427.00 | - |
| FICA | 7,958.00 | 7,958.00 | 7,958.00 | - |
| Worker's Compensation Insurance | 1,000.00 | 1,000.00 | 1,000.00 | - |
| Other | 1,000.00 | 1,000.00 | 1,000.00 | - |
| | <u>132,118.00</u> | <u>132,118.00</u> | <u>128,262.86</u> | <u>3,855.14</u> |
| Other: | | | | |
| Office Expenses | 6,000.00 | 6,000.00 | 6,025.28 | (25.28) |
| Office Maintenance & Repairs | 38,100.00 | 38,100.00 | 28,485.39 | 9,614.61 |
| Membership Dues | 695.00 | 695.00 | 407.00 | 288.00 |
| Utilities & Related Expenses | 21,000.00 | 21,000.00 | 19,415.56 | 1,584.44 |
| Professional Services | 27,700.00 | 27,700.00 | 27,525.29 | 174.71 |
| Travel Expenses, Meeting & Conventions | 943.00 | 943.00 | 300.00 | 643.00 |
| Elections | 1,800.00 | 1,800.00 | 1,638.30 | 161.70 |
| Advertising | 800.00 | 800.00 | 76.85 | 723.15 |
| Insurance Premiums | 42,000.00 | 42,000.00 | 40,671.39 | 1,328.61 |
| Training & Education | 500.00 | 500.00 | 273.00 | 227.00 |
| Fire Prevention | 1,400.00 | 1,400.00 | - | 1,400.00 |
| | <u>140,938.00</u> | <u>140,938.00</u> | <u>124,818.06</u> | <u>16,119.94</u> |
| Total Administrative | \$ <u>273,056.00</u> | \$ <u>273,056.00</u> | \$ <u>253,080.92</u> | \$ <u>19,975.08</u> |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2020

| | <u>Budget</u> | <u>Adjusted Budget</u> | <u>Actual</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|---|-----------------------------|-----------------------------|-----------------------------|--|
| <u>General Fund (Continued)</u> | | | | |
| Cost of Operations and Maintenance | | | | |
| Personnel: | | | | |
| Salaries | \$ 161,542.00 | \$ 161,542.00 | \$ 161,544.64 | \$ (2.64) |
| Fringe Benefits: | | | | |
| Medical Insurance | 44,035.00 | 44,035.00 | 44,035.00 | - |
| Pension | 20,353.00 | 20,353.00 | 20,353.00 | - |
| FICA | 13,123.00 | 13,123.00 | 13,123.17 | (0.17) |
| Worker's Compensation Insurance | 32,000.00 | 32,000.00 | 23,564.24 | 8,435.76 |
| Other | 16,076.00 | 16,076.00 | 7,604.40 | 8,471.60 |
| | <u>287,129.00</u> | <u>287,129.00</u> | <u>270,224.45</u> | <u>16,904.55</u> |
| Other Expenditures: | | | | |
| Automobile Fuel | 8,000.00 | 8,000.00 | 3,502.57 | 4,497.43 |
| Maintenance & Repairs | 61,000.00 | 61,000.00 | 52,102.40 | 8,897.60 |
| Training Grounds | 5,000.00 | 5,000.00 | 5,000.00 | - |
| Uniforms & Personal Equipment | 64,672.00 | 68,000.00 | 58,864.15 | 9,135.85 |
| Firefighter Personal Protective Equipment | 23,562.00 | 23,562.00 | 20,876.34 | 2,685.66 |
| | <u>162,234.00</u> | <u>165,562.00</u> | <u>140,345.46</u> | <u>25,216.54</u> |
| Other Offset with Revenues: | | | | |
| Salaries | 10,000.00 | 10,000.00 | 10,000.00 | - |
| | <u>10,000.00</u> | <u>10,000.00</u> | <u>10,000.00</u> | <u>-</u> |
| TOTAL | \$ <u>732,419.00</u> | \$ <u>735,747.00</u> | \$ <u>673,650.83</u> | \$ <u>62,096.17</u> |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
GOVERNMENTAL FUNDS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND APPROPRIATIONS
YEAR ENDED DECEMBER 31, 2020

| | <u>Budgeted Revenue and Appropriations</u> | <u>Adjusted Budget</u> | <u>Actual</u> | <u>Various</u> |
|------------------------------------|--|----------------------------|---------------------------|-----------------------|
| Supplemental Fire Services Program | \$ <u>3,328.00</u> | \$ <u>3,328.00</u> | \$ <u>3,328.50</u> | \$ <u>0.50</u> |
| | \$ <u><u>3,328.00</u></u> | \$ <u><u>3,328.00</u></u> | \$ <u><u>3,328.50</u></u> | \$ <u><u>0.50</u></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, 2020

| | Governmental Fund | | | |
|---|----------------------|----------------------|-----------------------|----------------------|
| | General Fund | Special Revenue Fund | Capital Projects Fund | Total |
| Receipts: | | | | |
| District Taxes | \$ 661,419.00 | | \$ 60,000.00 | \$ 721,419.00 |
| Interest on Investments | 1,664.08 | | | 1,664.08 |
| Other Grants or Entitlements | | \$ 3,328.50 | | 3,328.50 |
| Other Revenue - | | | | |
| Inspections, Fines and Tickets | 47,457.00 | | | 47,457.00 |
| Nonbudget Revenue | 17,375.93 | | | 17,375.93 |
| Miscellaneous | 61.75 | | | 61.75 |
| | <u>\$ 727,977.76</u> | <u>\$ 3,328.50</u> | <u>\$ 60,000.00</u> | <u>\$ 791,306.26</u> |
| Disbursements: | | | | |
| Capital Project Expenditures | | | \$ 47,078.37 | \$ 47,078.37 |
| Payroll | \$ 311,732.08 | | | 311,732.08 |
| Operating Appropriations | 354,372.74 | \$ 3,328.50 | | 357,701.24 |
| Accounts Payable - Prior Year | 1,325.72 | | | 1,325.72 |
| | <u>\$ 667,430.54</u> | <u>\$ 3,328.50</u> | <u>\$ 47,078.37</u> | <u>\$ 717,837.41</u> |
| Increase in Cash and Cash Equivalents | \$ 60,547.22 | | \$ 12,921.63 | \$ 73,468.85 |
| Cash and Cash Equivalents, January 1, 2020 | <u>428,175.58</u> | | | <u>428,175.58</u> |
| Cash and Cash Equivalents, December 31, 2020 | <u>\$ 488,722.80</u> | | <u>\$ 12,921.63</u> | <u>\$ 501,644.43</u> |
| Analysis of Cash and Cash Equivalents: | | | | |
| Cash - Checking | \$ 85,094.62 | | | \$ 85,094.62 |
| Cash - Payroll | 23,317.46 | | | 23,317.46 |
| Savings | 380,310.72 | | \$ 12,921.63 | 393,232.35 |
| | <u>\$ 488,722.80</u> | | <u>\$ 12,921.63</u> | <u>\$ 501,644.43</u> |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
COUNTY OF MONMOUTH
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

| <u>Issue/Project Title</u> | <u>Original Date of Approval</u> | <u>Appropriation</u> | <u>Expenditures to Date Current Year</u> | <u>Balance December 31, 2020</u> |
|----------------------------|--|----------------------|--|--|
| Acquisition of SUV | 10/14/2019 | \$ <u>60,000.00</u> | \$ <u>47,078.37</u> | \$ <u>12,921.63</u> |
| | | \$ <u>60,000.00</u> | \$ <u>47,078.37</u> | \$ <u>12,921.63</u> |

ABERDEEN TOWNSHIP FIRE DISTRICT #1
STATISTICAL INFORMATION
DECEMBER 31, 2020

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> |
|------------------------|---------------------------|-----------------------|-------------------------------|
| 2020 | \$ 1,522,833,900.00 | \$ 721,419.00 | 0.048 |
| 2019 | 1,463,926,700.00 | 721,419.00 | 0.050 |
| 2018 | 1,404,630,000.00 | 649,811.00 | 0.047 |
| 2017 | 1,350,814,900.00 | 649,811.00 | 0.049 |
| 2016 | 1,318,816,339.00 | 649,811.00 | 0.050 |

Unrestricted Net Position

| <u>Fiscal Year Ended</u> | <u>End of Fiscal Year</u> | <u>Utilization in Subsequent Year Budget</u> |
|------------------------------|-------------------------------|--|
| December 31, 2020 | \$ 434,386.52 | None |
| December 31, 2019 | 380,059.59 | None |
| December 31, 2018 | 259,160.32 | None |
| December 31, 2017 | 122,155.40 | None |
| December 31, 2016 | 717,149.28 | \$ 675,000.00 |

BOARD OF FIRE COMMISSIONERS
ABERDEEN TOWNSHIP FIRE DISTRICT #1
ROSTER OF OFFICIALS
DECEMBER 31, 2020

Board of Commissioners

| | <u>Position</u> |
|------------------|--|
| Vincent Vinci | President |
| James Lauro | Vice President - Buildings and Grounds |
| E. Paul Percussi | Secretary |
| Gary Bellone | Treasurer * |
| James Foley | Financial Secretary |

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, 2020

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, 2020 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 Schedule RSI-4 is the detail as maintained by the Office Secretary. It is in agreement in total to the approved budget. There were two (2) line items overexpended by insignificant amounts; 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 the salaries authorized by the Board and within the guidelines set up in the annual budget.

GENERAL COMMENTS AND RECOMMENDATIONS
(CONTINUED)
DECEMBER 31, 2020

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
Acquisition of an SUV

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, 2020

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 was not required for the 2019 audit 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, 2020

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 "G Stankiewicz", written in a cursive style.

Gerard Stankiewicz, CPA, RMA
For The Firm
SAMUEL KLEIN AND COMPANY