

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**COUNTY OF MONMOUTH, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Prepared by:  
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**ABERDEEN TOWNSHIP FIRE DISTRICT #1**

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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, 2016.

**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, 2016, and the respective changes on financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated April 26, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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



Gerard Stankiewicz  
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey  
April 26, 2017

**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 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, 2016, and have issued our report thereon dated April 26, 2017. 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.

**Internal Control Over Financial Reporting**

Management of the Fire District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the General Comments and Recommendations section of the audit that are immaterial matters are noted.

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



Gerard Stankiewicz  
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey  
April 26, 2017

## **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, 2016.

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 \$1,693,608 and Deferred Outflows of \$256,083 totaling \$1,949,691 less total liabilities of \$593,278 resulting in net position of \$1,356,413.

The Aberdeen Township Fire District #1's Net Position of \$1,356,413 is comprised of the following:

1. Invested in Capital Assets is \$939,837.
2. Unrestricted Unreserved Net Position is \$416,576 which represents the result of the required accrual of the state pension program that the District has for its employees.

Net Position decreased by \$41,739.

	As of December 31,	
	2016	2015
Total Current Assets	\$ 753,771	\$ 621,712
Capital Assets - Net	939,837	1,049,517
 Total Assets	 \$ 1,693,608	 \$ 1,671,229
 Deferred Outflows of Resources	 \$ 256,083	 \$ 131,251
 Total Current Liabilities Payable from Current Assets:		
Unrestricted	\$ 52,833	\$ 46,488
 Total Long-Term Liabilities Payable from Long-Term Assets:		
Pension Obligation	\$ 540,445	\$ 352,178
 Total Liabilities	 \$ 593,278	 \$ 398,666
 Deferred Inflows of Resources	 	 \$ 5,662
 Net Position		
Restricted:		
Net Investment in Capital Assets	\$ 939,837	\$ 1,049,517
Unrestricted:		
Unreserved	416,576	348,635
 Net Position	 \$ 1,356,413	 \$ 1,398,152

Comparative Statement of Revenues, Expenses and Change in Net Position

Total Operating Revenues decreased \$342 or 0.05% from the prior year.

Operating Expenses, exclusive of depreciation, decreased \$2,395 or 0.37% from the prior year.

Total Operating Revenues less Total Operating Expenses produced a deficit of \$58,652. This was off-set by the miscellaneous nonoperating revenue of \$16,913 bringing the actual deficit to \$41,739; which anticipated by the Commissioners in preparation of the 2017 annual budget.

Net Position as of December 31, 2016 decreased \$41,739 from \$1,398,152 to \$1,356,413.

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Total Operating Revenues	\$ <u>700,088</u>	\$ <u>700,430</u>
Operating Expenses	\$ 649,060	\$ 651,455
Depreciation	<u>109,680</u>	<u>109,680</u>
Total Operating Expenses	\$ <u>758,740</u>	\$ <u>761,135</u>
Operating Income/(Loss)	\$ (58,652)	\$ (60,705)
Nonoperating Income - Net	<u>16,913</u>	<u>2,824</u>
Change in Net Position - Increase/(Decrease)	\$ (41,739)	\$ (57,881)
Net Position, Beginning	<u>1,398,152</u>	<u>1,456,033</u>
Net Position, Ending	\$ <u><u>1,356,413</u></u>	\$ <u><u>1,398,152</u></u>

### **Core Competencies**

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

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

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

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

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

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

## **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, 2016**

	Balance December 31, <u>2016</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ <u>753,770.91</u>
Noncurrent Assets:	
Capital Assets, Net	\$ <u>939,836.86</u>
Total Assets	\$ <u><u>1,693,607.77</u></u>
Deferred Outflows of Resources - Pension	\$ <u><u>256,083.00</u></u>
<b><u>LIABILITIES</u></b>	
Current Liabilities Payable from Current Assets:	
Commitments Payable	\$ 34,131.88
Account Payable	<u>18,700.75</u>
Total Current Liabilities Payable from Current Assets	\$ <u>52,832.63</u>
Noncurrent Liabilities:	
Pension Obligation	\$ <u>540,445.00</u>
Total Liabilities	\$ <u><u>593,277.63</u></u>
<b><u>NET POSITION</u></b>	
Restricted:	
Net Investment in Capital Assets	\$ 939,836.86
Unrestricted:	
Unreserved	<u>416,576.28</u>
Net Position	\$ <u><u>1,356,413.14</u></u>

See Accompanying Notes to Financial Statements

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**COUNTY OF MONMOUTH**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Total</u> <u>Government Activities</u> <u>Net (Expense)/Revenue</u> <u>and Change in</u> <u>Net Position</u>	
Expenditures:		
Administrative:		
Personnel:		
Salaries and Fringe Benefits	\$ 134,836.51	
Other:		
Professional Services	22,003.58	
Office Expenses & Maintenance	22,258.35	
Membership Dues & Travel Expenses	3,698.51	
Advertising & Elections	1,843.75	
Training & Education & Fire Prevention	760.00	
Utilities and Related Expenses	17,150.81	
Insurance	<u>34,970.39</u>	\$ 237,521.90
Cost of Providing Services:		
Personnel:		
Salary & Fringe Benefits	\$ 278,439.12	
Other:		
Automotive Fuel	4,194.93	
Fire Fighter Protective Equipment & Uniforms	58,447.25	
Maintenance & Repairs	60,127.89	
SFSP Grant	3,328.50	
Assistance to Training Grounds	5,000.00	
Assistance to Fire Company	2,000.00	
Depreciation	<u>109,680.29</u>	<u>521,217.98</u>
Total Government Activities		\$ <u>758,739.88</u>
 <u>General Revenues</u>		
Taxation - General Fund	\$ 649,811.00	
SFSP Grant	3,328.50	
Interest	1,817.69	
Other Revenue - Inspections, Fines and Tickets	<u>45,130.56</u>	\$ <u>700,087.75</u>
Change in Net Position		(58,652.13)
Miscellaneous - Net		<u>16,912.83</u>
		\$ (41,739.30)
Net Position - Beginning		<u>1,398,152.44</u>
Net Position - Ending		<u>\$ 1,356,413.14</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, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Current Assets:			
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 746,971.78		\$ 746,971.78
Interfund Receivable	6,799.13		6,799.13
Total Current Assets	<u>\$ 753,770.91</u>		<u>\$ 746,971.78</u>
Current Liabilities Payable from			
Unrestricted Assets:			
Accounts Payable	\$ 2,489.75		\$ 2,489.75
Commitments Payable	34,131.88		34,131.88
Total Current Liabilities	<u>\$ 36,621.63</u>		<u>\$ 34,131.88</u>
Net Position:			
Unrestricted:			
Restricted	675,000.00		675,000.00
Unrestricted	\$ 42,149.28		42,149.28
Net Position	<u>\$ 717,149.28</u>		<u>\$ 717,149.28</u>
Net Position above:			\$ 717,149.28
Amounts reported for <i>governmental activities</i> in the Statement of Net Position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$3,074,873.77 and the accumulated depreciation is \$2,135,036.91 (see Note 4).			939,836.86
Pension adjustments (Note 6):			
Deferred outflow/inflow of resources		\$ 256,083.00	
Accrued pension liability		(16,211.00)	
Net pension liability		<u>(540,445.00)</u>	<u>(300,573.00)</u>
Net Position of governmental activities (A-1)			<u>\$ 1,356,413.14</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, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Other Revenue	\$ 45,130.56		\$ 45,130.56
Interest on Investments	1,817.69		1,817.69
Other Grants and Entitlements		\$ 3,328.50	3,328.50
Amount to be Raised by Taxation	<u>649,811.00</u>		<u>649,811.00</u>
Total Revenues	\$ <u>696,759.25</u>	\$ <u>3,328.50</u>	\$ <u>700,087.75</u>
<b><u>EXPENDITURES</u></b>			
Operating	\$ <u>585,235.09</u>	\$ <u>3,328.50</u>	\$ <u>588,563.59</u>
Total Expenditures	\$ <u>585,235.09</u>	\$ <u>3,328.50</u>	\$ <u>588,563.59</u>
Excess of Revenues over Expenditures	\$ <u>111,524.16</u>	<u>-</u>	\$ <u>111,524.16</u>
Other Financial Sources/(Uses):			
Provision for Accrued Sick Pay	\$ (1,131.88)		\$ (1,131.88)
Miscellaneous Revenue	<u>18,044.71</u>		<u>18,044.71</u>
	128,436.99	-	128,436.99
Net Position, beginning	<u>588,712.29</u>		<u>588,712.29</u>
Net Position, ending	\$ <u><u>717,149.28</u></u>	<u><u>-</u></u>	\$ <u><u>717,149.28</u></u>

See Accompanying Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016**

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, 2016**

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, 2016**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Fire District Taxes

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

Deferred Outflows/Inflows of Resources

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

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Accounting and Financial Reporting for Pensions

In 2015 the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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.

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

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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 Township at the annual fire district election on the third Saturday in February. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts. Transfers of appropriations may be made by District resolution at any time during the last two months of the fiscal year.

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

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

**Subsequent Events**

Management has reviewed and evaluated all events and transactions from December 31, 2016 through April 26, 2017, 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.

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.

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

A. Cash (Continued)

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, 2016 is as follows:

Checking Account	\$ 52,648.02
Money Market	<u>694,323.76</u>
	<u>\$ 746,971.78</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016**

Note 4. CAPITAL ASSETS

All reported capital assets except for land are depreciated. At December 31, 2016, capital assets and the useful lives used for determination of annual depreciation were as follows:

	Balance December 31, 2015 <u>(as Adjusted)</u>	Current Year's Activity <u>Increase</u>	Balance December 31, 2015
Depreciable:			
Buildings & Improvs.	\$ 823,621.42		\$ 823,621.42
Machinery & Equip.	<u>2,251,252.35</u>		<u>2,251,252.35</u>
	\$ 3,074,873.77		\$ 3,074,873.77
Less: Accumulated Depreciation	<u>2,025,356.62</u>	\$ 109,680.29	<u>2,135,036.91</u>
	<u>\$ 1,049,517.15</u>	<u>\$ (109,680.29)</u>	<u>\$ 939,836.86</u>

An adjustment was made to the Capital Assets for a Pick-Up Truck that was purchased in 2009. Depreciation expense remained the same for the years ended December 31, 2016 and 2015 equaling \$109,680.29.

Note 5. LENGTH OF SERVICE AWARDS PROGRAM

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

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6. PENSION PLAN

Description of Systems

Substantially all of the District's employees participate in the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System is considered cost sharing multiple-employer plans.

New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the pension plans and an annual actuarial valuation report. Those reports are available at [www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2014.pdf](http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2014.pdf).

Funding Policy

The Public Employees' Retirement System (PERS) was established January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health care coverage. Members are eligible for retirement at age sixty with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60<sup>th</sup> of the average annual compensation for the last five (5) years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age sixty with twenty-five or more years of credited service. Anyone who retires early and is under age fifty-five receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age fifty-five).

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6. PENSION PLAN (CONTINUED)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011 made various changes to the manner in which PERS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6. PENSION PLAN (CONTINUED)

Contributions Required to be Made

Employee contributions for 2016 were seven and 6/100th percent (7.06%) and effective July 1, 2016 employee contributions increased to seven and 20/100th percent (7.20%) of the employee's base wages. Employer's contribution for PERS is actuarially determined annually by the Division of Pensions for January to June. The District's contributions to the plan for the past three (3) years are as follows:

<u>Year</u>	<u>PERS</u>					<u>Employees</u>
	<u>Normal</u>	<u>Accrued</u>	<u>NCGI Premium</u>	<u>Net Cost</u>	<u>Pension</u>	
2016	\$ 2,284.00	\$ 10,519.00	\$ 685.00	\$ 13,488.00	\$ 13,119.82	
2015	2,069.00	9,571.00	788.00	12,428.00	12,024.52	
2014	1,426.00	6,268.00	131.00	7,825.00	10,197.48	

Public Employees Retirement System (PERS)

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, 2016 and June 30, 2015 Independent Auditor's Report dated April 26, 2017 and April 14, 2016, respectively.

The District reported a liability of \$540,445 and \$352,178 for its proportionate share of the net pension liability at December 31, 2016 and December 31, 2015, respectively. The net pension liability was measured as of June 30, 2016 and June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative District to the projected contributions of all participating entities, actuarially determined.

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Local Group Share	\$ 29,617,131,759	\$ 22,447,996,119
Authority Proportionate Percentage	0.0018247704 %	0.0015688614 %
Difference - Increase	0.0002559090 %	

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6. PENSION PLAN (CONTINUED)

***Government-Wide Financial Statements***

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2016, the District recognized pension expense of \$16,211. At December 31, 2016, 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	\$ 111,951	
Net difference between expected and actual experience	10,051	
Net difference between projected and actual investment earnings on pension plan investment	20,608	\$ -
Changes in proportion	97,262	
Authority contributions subsequent to the measurement date	<u>16,211</u>	
Total	<u>\$ 256,083</u>	<u>\$ -</u>

The \$256,083 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, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the District year ended December 31, 2016. 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>Year Ended December 31,</u>	<u>Amount</u>
2017	32,107
2018	32,107
2019	37,198
2020	31,251
2021	9,947

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6. PENSION PLAN (CONTINUED)

***Government-Wide Financial Statements (Continued)***

Public Employees Retirement System (PERS) (Continued)

Additional Information:

Collective local employees balances at June 30, 2016 and June 30, 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Group Collective deferred inflows of resources	\$ 870,133,595	\$ 993,410,455
Collective net pension liability	\$ 29,617,131,759	\$ 22,447,996,119
Authority's proportion	0.0018247704 %	0.0119389558 %

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. The total pension liability for the December 31, 2016 measurement date was determined by an actuarial valuation as of June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2026	1.65 - 4.15 Percent (based on age)
Thereafter	2.65 - 5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 and rolled forward to June 30, 2016.

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6. PENSION PLAN (CONTINUED)

***Government-Wide Financial Statements (Continued)***

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates; the larger the impact on future financial statements.

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6. PENSION PLAN (CONTINUED)

***Government-Wide Financial Statements (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 (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.00 %	0.87 %
U.S. Treasuries	1.50	1.74
Investment Grade Credit	8.00	1.79
Mortgages	2.00	1.67
High Yield Bonds	2.00	4.56
Inflation-Indexed Bonds	1.50	3.44
Broad US Equities	26.00	8.53
Developed Foreign Markets	13.25	6.83
Emerging Market Equities	6.50	9.95
Private Equity	9.00	12.40
Hedge Funds/Absolute Return	12.50	4.68
Real Estate (Property)	2.00	6.91
Commodities	0.50	5.45
Global Debt ex US	5.00	-0.25
REIT	5.25	5.63

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6. PENSION PLAN (CONTINUED)

***Government-Wide Financial Statements (Continued)***

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6. PENSION PLAN (CONTINUED)

***Government-Wide Financial Statements (Continued)***

Public Employees Retirement System (PERS) (Continued)

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016 and June 30, 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

		June 30, 2016		
		1% Decrease	At Current Discount Rate	1% Increase
		<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Authority's proportionate share of the Local Group pension liability	\$	662,252	\$ 540,445	\$ 439,882
		June 30, 2015		
		1% Decrease	At Current Discount Rate	1% Increase
		<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
Authority's proportionate share of the Local Group pension liability	\$	437,714	\$ 352,178	\$ 280,465

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).

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 7. POST EMPLOYMENT RETIREMENT BENEFITS

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

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

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

<u>Fiscal Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2016	1	\$ 6,929.40
2015	1	6,629.88
2014	1	6,287.64

Plan Description – NJSHBP

The NJSHBP as of July 1, 2015 had statewide for all groups of employees of 358,297 active and 244,306 retired for a total of 602,603 members. The District had three (3) active and one (1) retired employee for a total of four (4).

An actuarial valuation as of July 1, 2015 (issued August 2016) was performed for the NJSHBP for all local active and retired employees plan-wide for the projected benefits obligation.

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

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

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 7. **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

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.

Note 8. **GENERAL NONCURRENT DEBT**

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

Note 9. **FUND BALANCE APPROPRIATED**

General Fund – \$675,000 of the General Fund balance at December 31, 2016, has been appropriated (See Note 10) and included as anticipated revenue for the year ended December 31, 2017.

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 2003-2016. The funds have not been audited.

Note 11. **COMMITMENTS AND CONTINGENCIES**

- a) Litigation – The District's attorney representation has revealed no material contingent liability for the District.
- b) Acquisition of New Pumper Truck – On January 11, 2016 a resolution authorizing a referendum to be held on February 20, 2016 approving the purchase of a new fire truck in an amount not to exceed \$675,000.00. The amount has been appropriated and included as anticipated revenue in the 2017 Budget. (See Note 9)

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**  
**LAST THREE (3) FISCAL YEARS \***

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

Note: Only the last three (3) 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 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**  
**LAST THREE (3) FISCAL YEARS \***

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

Note: Only the last three (3) years of information are presented as GASB 68 was implemented during the year ended December 31, 2015. Eventually a full ten (10) years schedule will be compiled.

**Notes to Required Supplementary Information:**

Benefit Changes - there were none.

Changes of Assumptions - the discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

**INDIVIDUAL FUND STATEMENTS**

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**COUNTY OF MONMOUTH**  
**GENERAL FUND**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	<u>December 31,</u> <u>2016</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 746,971.78
Interfund Receivable	<u>6,799.13</u>
Total Current Assets	<u>\$ 753,770.91</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities Payable from Unrestricted Assets:	
Accounts Payable	\$ 2,489.75
Commitments Payable	<u>34,131.88</u>
Total Liabilities	<u>\$ 36,621.63</u>
<b><u>NET POSITION</u></b>	
Net Position:	
Unrestricted	\$ 42,149.28
Restricted	<u>675,000.00</u>
	<u>\$ 717,149.28</u>

See Accompanying Notes to Financial Statements

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**COUNTY OF MONMOUTH**  
**GENERAL FUND**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGE IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2016**

**REVENUES**

Interest on Investments	\$ 1,817.69
Other Revenue	45,130.56
Amount to be Raised by Taxation	<u>649,811.00</u>
Total Revenues	<u>\$ 696,759.25</u>

**EXPENDITURES**

Operating Appropriations	<u>\$ 585,235.09</u>
Total Expenditures	<u>\$ 585,235.09</u>
Excess of Revenues Over Expenditures	\$ 111,524.16
Other Financial Sources/(Uses):	
Provision for Accrued Sick Pay	(1,131.88)
Miscellaneous Revenue	<u>18,044.71</u>
	\$ 128,436.99
Net Position, beginning	<u>588,712.29</u>
Net Position, ending	<u><u>\$ 717,149.28</u></u>

See Accompanying Notes to Financial Statements

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**COUNTY OF MONMOUTH**  
**GOVERNMENTAL FUNDS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES COMPARED TO BUDGET**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Amount to be Raised by Taxation	\$ 649,811.00	\$ 649,811.00	
Other Revenue	30,672.00	33,275.00	\$ 2,603.00
Uniform Fire Safety Act - Other Revenue	10,000.00	11,855.56	1,855.56
Supplemental Fire Services Program	3,328.00	3,328.50	0.50
Interest on Investments & Deposits	<u>1,000.00</u>	<u>1,817.69</u>	<u>817.69</u>
	\$ 694,811.00	\$ 700,087.75	\$ 5,276.75
Nonbudget Revenue	<u>                    </u>	<u>18,044.71</u>	<u>18,044.71</u>
	<u>\$ 694,811.00</u>	<u>\$ 718,132.46</u>	<u>\$ 23,321.46</u>

**ANALYSIS OF NONBUDGETED REVENUE**

	<u>Total</u>
Nonbudget Revenue:	
Sale of Truck	\$ 10,000.00
Rebates and Refunds	7,694.71
Prior Year Cancelled Check	<u>350.00</u>
	<u>\$ 18,044.71</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**COUNTY OF MONMOUTH**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES COMPARED TO BUDGET**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General Fund</b>				
Operating Appropriations:				
Administrative:				
Personnel:				
Salaries	\$ 85,025.00	\$ 85,025.00	\$ 85,024.96	\$ 0.04
Longevity	250.00	250.00	250.00	
Fringe Benefits:				
Medical Insurance	11,040.00	11,040.00	15,352.93	(4,312.93)
Pension	3,252.00	3,252.00	3,333.75	(81.75)
Employer Portion of Federal and State Income Taxes	7,750.00	7,750.00	6,447.84	1,302.16
Worker's Compensation Insurance	4,200.00	4,200.00	4,200.00	
Subtotal:	<u>111,517.00</u>	<u>111,517.00</u>	<u>114,609.48</u>	<u>(3,092.48)</u>
Other:				
Office Expenses	4,000.00	4,000.00	5,227.70	(1,227.70)
Office Maintenance and Repairs	6,000.00	6,000.00	17,030.65	(11,030.65)
Membership Dues	2,300.00	2,300.00	1,580.50	719.50
Utilities and Related Expenses	20,000.00	20,000.00	17,150.81	2,849.19
Professional Services	26,000.00	26,000.00	22,003.58	3,996.42
Travel Expenses, Meeting & Conventions	3,600.00	3,600.00	2,118.01	1,481.99
Elections	1,500.00	1,500.00	1,247.50	252.50
Advertising	1,141.00	1,141.00	596.25	544.75
Insurance Premiums	54,000.00	54,000.00	34,970.39	19,029.61
Training & Education	1,000.00	1,000.00	235.00	765.00
Fire Prevention	1,500.00	1,500.00	525.00	975.00
Subtotal:	<u>121,041.00</u>	<u>121,041.00</u>	<u>102,685.39</u>	<u>18,355.61</u>
Cost of Providing Services:				
Personnel:				
Salaries	123,334.00	123,334.00	121,960.90	1,373.10
Longevity	1,650.00	1,650.00	1,650.00	
Fringe Benefit:				
Medical Insurance	48,964.00	48,964.00	48,022.19	941.81
Pension	10,236.00	10,236.00	10,154.25	81.75
Employer Portion of Federal and State Income Taxes	16,758.00	16,758.00	10,111.34	6,646.66
Worker's Compensation Insurance	37,800.00	37,800.00	36,271.47	1,528.53
Subtotal:	<u>238,742.00</u>	<u>238,742.00</u>	<u>228,170.15</u>	<u>10,571.85</u>
Other:				
Automobile Fuel	8,511.00	8,511.00	4,194.93	4,316.07
Maintenance & Repairs	60,000.00	60,000.00	58,545.49	1,454.51
Miscellaneous Maintenance & Repairs	5,000.00	5,000.00	1,582.40	3,417.60
Training Grounds	5,000.00	5,000.00	5,000.00	
Assistance to Fire Company	2,000.00	2,000.00	2,000.00	
Uniforms & Personal Equipment	48,000.00	48,000.00	42,455.00	5,545.00
Firefighter Personal Protective Equipment	35,000.00	35,000.00	303.50	34,696.50
Mandated Breathing Apparatus	50,000.00	50,000.00	15,688.75	34,311.25
Subtotal:	<u>213,511.00</u>	<u>213,511.00</u>	<u>129,770.07</u>	<u>83,740.93</u>
	<u>\$ 684,811.00</u>	<u>\$ 684,811.00</u>	<u>\$ 575,235.09</u>	<u>\$ 109,575.91</u>
Appropriation Offset with Revenue:				
Salaries	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	
Total Appropriation	<u>\$ 694,811.00</u>	<u>\$ 694,811.00</u>	<u>\$ 585,235.09</u>	<u>\$ 109,575.91</u>
<b>Analysis of Actual:</b>				
Cash Disbursed			\$ 582,745.34	
Accounts Payable			<u>2,489.75</u>	
			<u>\$ 585,235.09</u>	

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**COUNTY OF MONMOUTH**  
**SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**DECEMBER 31, 2016**

	<u>December 31,</u> <u>2016</u>
<b><u>REVENUES</u></b>	
Supplemental Fire Services Program	\$ <u><u>3,328.50</u></u>
<b><u>EXPENDITURES</u></b>	
Operating Expenditures	\$ <u><u>3,328.50</u></u>

See Accompanying Notes to Financial Statements

ABERDEEN TOWNSHIP FIRE DISTRICT #1  
COUNTY OF MONMOUTH  
FIDUCIARY FUND  
PAYROLL FUND  
STATEMENT OF ASSETS AND LIABILITIES  
YEAR ENDED DECEMBER 31, 2016

	<u>December 31,</u> <u>2016</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>6,799.13</u>
Total Assets	\$ <u><u>6,799.13</u></u>
<u>LIABILITIES</u>	
Due to General Fund	\$ <u>6,799.13</u>
Total Liabilities	\$ <u><u>6,799.13</u></u>

See Accompanying Notes to Financial Statements

**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, 2016**

	<u>Governmental Fund</u>		<u>Fiduciary Fund</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
Receipts:				
District Taxes	\$ 649,811.00			\$ 649,811.00
Interest on Investments	1,817.69			1,817.69
Other Grants or Entitlements		\$ 3,328.50		3,328.50
Transfer from Payroll Fund	7,318.08			7,318.08
Other Revenue -				
Inspections, Fines and Tickets	45,130.56			45,130.56
Nonbudget Revenue	18,044.71			18,044.71
Transfer from General Fund -Budget			\$ 305,071.86	305,071.86
	<u>\$ 722,122.04</u>	<u>\$ 3,328.50</u>	<u>\$ 305,071.86</u>	<u>\$ 1,030,522.40</u>
Disbursements:				
SFSP		\$ 3,328.50		3,328.50
Payroll Expenditures			\$ 305,071.86	305,071.86
Operating Appropriations	\$ 582,745.34			582,745.34
Transfer to General Fund			7,318.08	7,318.08
	<u>\$ 582,745.34</u>	<u>\$ 3,328.50</u>	<u>\$ 312,389.94</u>	<u>\$ 898,463.78</u>
Increase in Cash and Cash Equivalents	\$ 139,376.70		\$ (7,318.08)	\$ 132,058.62
Cash and Cash Equivalents, January 1, 2016	<u>607,595.08</u>		<u>14,117.21</u>	<u>621,712.29</u>
Cash and Cash Equivalents, December 31, 2016	<u>\$ 746,971.78</u>		<u>\$ 6,799.13</u>	<u>\$ 753,770.91</u>
Analysis of Cash and Cash Equivalents:				
Cash - Checking	\$ 52,648.02		\$ 6,799.13	\$ 59,447.15
Savings	694,323.76			694,323.76
	<u>\$ 746,971.78</u>		<u>\$ 6,799.13</u>	<u>\$ 753,770.91</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**STATISTICAL INFORMATION**  
**DECEMBER 31, 2016**

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>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rates</u>
2016	\$ 1,318,816,339.00	\$ 649,811.00	0.050
2015	1,316,005,300.00	649,811.00	0.050
2014	1,295,741,550.00	582,312.00	0.045
2013	1,355,489,000.00	572,354.00	0.043
2012	1,332,635,700.00	520,140.00	0.040

Unrestricted Net Position

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Year Budget</u>
December 31, 2016	\$ 717,149.28	\$ 675,000.00
December 31, 2015	588,313.03	None
December 31, 2014	511,313.03	None
December 31, 2013	380,805.23	None
December 31, 2012	499,220.93	None

**BOARD OF FIRE COMMISSIONERS**  
**ABERDEEN TOWNSHIP FIRE DISTRICT #1**  
**ROSTER OF OFFICIALS**  
**DECEMBER 31, 2016**

Board of Commissioners

Position

Vincent Vinci	President
James Lauro	Vice President - Buildings and Grounds
E. Paul Percussi	Secretary
James Vena	Treasurer *
Steven Castellano	Insurance and Fire Protection

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, 2016**

**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, 2016 were verified with the bank and reconciliations and/or statements issued by the depositories.

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

**Examination of Claims**

The budget as prescribed on Exhibit C-1 is the detail one as maintained by the Office Secretary. It is in agreement in total to the approved budget; however, the detail of the approved budget was undeterminable. There were four (4) line items overexpended; however the total budget was not.

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

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

**Payroll**

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

**GENERAL COMMENTS AND RECOMMENDATIONS (CONTINUED)**  
**DECEMBER 31, 2016**

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 contract:

Fire Equipment

Firefighter Apparel

However, no resolutions documenting the approval of the purchase of the fire equipment or firefighter apparel 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, 2016**

**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 adopted for the 2015 audit recommendation related to longevity and health benefits.

**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, 2016**

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