

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2020

Prepared by:
Gerard Stankiewicz, CPA
For the Firm of:
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Certified Public Accountants
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ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2

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ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Aberdeen Township Fire District No. 2
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. 2 (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 July 1, 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)

Basis for Disclaimer of Opinion on Length of Service Award Program Fund ("LOSAP")

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited, and we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the District's financial statements. The LOSAP financial activities are included in the District's Fiduciary Fund as of December 31, 2020.

Due to the fact that we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the District's financial statements, we do not express an opinion of the LOSAP financial statements.

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
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY, LLP

Freehold, New Jersey
July 1, 2022

SAMUEL KLEIN AND COMPANY, LLP

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INDEPENDENT AUDITOR'S 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. 2
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 *Governing Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the aggregate remaining fund information of the Aberdeen Township Fire District No. 2 ("the District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 1, 2022.

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. 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.

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

Compliance and Other Matters

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

Purpose of this Report

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
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY, LLP

Freehold, New Jersey
July 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Aberdeen Township Fire District No. 2'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 No. 2.

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 No. 2

Comparative Statement of Net Position

The Aberdeen Township Fire District No. 2's Total Assets \$2,841,000 and Deferred Outflows of Resources \$480,224, less Total Liabilities of \$1,113,286 and Deferred Inflows of Resources of \$258,740, resulting in Net Position of \$1,438,974.

The Aberdeen Township Fire District No. 2's Net Position of \$1,438,974 is comprised of the following:

1. Invested in Capital Assets is \$1,252,645.
2. Restricted for Capital Purposes is \$504,160.
3. Unrestricted Unreserved Net Position is \$(317,831) which represents the result of the required accrual of the state pension program that the District has for its employees.

Net Position decreased \$490,093.

	As of December 31,	
	<u>2020</u>	<u>2019</u>
Total Current Assets	\$ 1,588,355	\$ 1,732,168
Capital Assets - Net	<u>1,252,645</u>	<u>670,080</u>
Total Assets	<u>\$ 2,841,000</u>	<u>\$ 2,402,248</u>
Deferred Outflows of Resources	<u>\$ 480,224</u>	<u>\$ 67,019</u>
Total Current Liabilities Payable from Current Assets:		
Unrestricted	\$ 496,332	\$ 120,437
Total Noncurrent Liabilities Payable from Current Assets:		
Pension Obligation	<u>616,954</u>	<u>300,665</u>
Total Liabilities	<u>\$ 1,113,286</u>	<u>\$ 421,102</u>
Deferred Inflows of Resources	<u>\$ 258,740</u>	<u>\$ 119,098</u>
Net Position		
Restricted:		
Net Investment in Capital Assets	\$ 1,252,645	\$ 670,080
Capital Purposes	504,160	1,109,790
Unrestricted:		
Unreserved	<u>(317,831)</u>	<u>149,197</u>
Net Position	<u>\$ 1,438,974</u>	<u>\$ 1,929,067</u>

Comparative Statement of Revenues, Expenses and Change in Net Position

Total Operating Revenues decreased \$3,329 or .53% from the prior year.

Operating Expenses, exclusive of depreciation, increased \$8,565 or 1.63% from the prior year.

Total Operating Revenues less Total Operating Expenses produced a loss of \$18,539. This was off-set by the nonoperating revenue of \$8,649.

Net Position as of December 31, 2020 decreased \$490,094 from \$1,929,067 to \$1,438,974.

	December 31,	
	<u>2020</u>	<u>2019</u>
Total Operating Revenues	\$ <u>619,161</u>	\$ <u>622,490</u>
Operating Expenses	\$ <u>534,635</u>	\$ <u>526,070</u>
Depreciation	<u>103,065</u>	<u>103,066</u>
Total Operating Expenses	\$ <u>637,700</u>	\$ <u>629,136</u>
Operating Income/(Loss)	\$ (18,539)	\$ (6,646)
Nonoperating Income - Net	<u>8,649</u>	<u>4,013</u>
Change in Net Position - Increase/(Decrease)	\$ (9,890)	\$ (2,633)
Cumulative Effect OPEB	(480,204)	
Net Position, Beginning	<u>1,929,067</u>	<u>1,931,700</u>
Net Position, Ending	\$ <u><u>1,438,973</u></u>	\$ <u><u>1,929,067</u></u>

Core Competencies

The Aberdeen Township Fire District No. 2 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 2020. 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 (30) 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, firefighter protective equipment and uniforms, and repair and maintenance of fire trucks.

Accountability

The Aberdeen Township Fire District No. 2's mission statement is:

The Mission Statement:

The Mission of the Board of Fire Commissioners District No. 2, Aberdeen Township is to provide Fire Protection and Fire Prevention to our citizens and property located in Aberdeen Township. We are dedicated to leadership and accountability amongst ourselves to insure that volunteer firefighters and properly trained and equipped to serve our community.

President – Shall be responsible for the Bureau of Fire Prevention

Building and Grounds Manager – Shall be responsible for the building which includes all maintenance and purchasing of materials.

The Mission Statement: (Continued)

Treasurer – Shall be responsible for all the financial aspects of this position i.e. cutting checks, maintaining budget etc.

Secretary – Shall be responsible for all record keeping. This person will also have responsibility for the insurance of all vehicles and life insurance for all members.

Vehicle and Equipment Manager – Shall be responsible for trucks, radios, and fire fighter equipment which includes all maintenance and purchasing of equipment and parts.

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 No. 2. 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 and clerk. The accountant 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 No. 2.

FINANCIAL STATEMENTS

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH

STATEMENT OF NET POSITION

As of December 31, 2020

	Governmental Activities
Assets:	
Cash	\$ 697,655.08
Receivables	1,143.53
Prepaid Expenses	22,777.33
Restricted Cash	836,778.76
Capital Assets	
Nondepreciable	58,500.00
Depreciable	1,194,144.95
Total Assets	\$ 2,810,999.65
Deferred Outflows	
Pensions	\$ 45,917.00
OPEB	434,307.00
Total Deferred Outflows	\$ 480,224.00
Liabilities:	
Unrestricted Current Liabilities:	
Accounts Payable	\$ 395,684.17
Payroll and Taxes Payable	2,863.88
Pension Payable	18,284.00
Contingent Liability - LOSAP Contribution	79,500.00
	496,332.05
Noncurrent Liabilities:	
Net Pension Liability	272,558.00
Net OPEB Liability	344,396.00
	616,954.00
Total Liabilities	\$ 1,113,286.05
Deferred Inflows of Resources	
Pensions	\$ 118,019.00
OPEB	140,721.00
Total Deferred Inflows	\$ 258,740.00
Net Position:	
Net Investment in Capital Assets	1,252,644.95
Restricted for:	
Firefighter Training and Equipment Dedicated Penalties	25,174.97
Capital Projects	504,160.24
Unrestricted Net Position	(343,006.56)
Total Net Position	\$ 1,438,973.60

The accompanying notes are an integral part of this statement.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

<u>Function/Programs</u>	<u>Expenses</u>	<u>Add:</u> <u>Indirect</u> <u>Depreciation</u> <u>Expense</u>	<u>Less:</u> <u>Program Revenues</u> <u>Operating Grants</u> <u>and Contributions</u>	<u>Net</u> <u>Total</u>
GOVERNMENTAL ACTIVITIES				
Operating Appropriations:				
Administration	\$ 180,477.78			\$ 180,477.78
Cost of Providing Services	318,486.04	\$ 103,064.92	\$ 3,328.50	418,222.46
Operating Appropriations Offset with Revenues	12,000.00			0.00
Length of Service Awards Program	27,000.00			12,000.00
				27,000.00
Total Government Activities	\$ <u>537,963.82</u>	\$ <u>103,064.92</u>	\$ <u>3,328.50</u>	\$ <u>637,700.24</u>

GENERAL REVENUES

Property Taxes Levied for:

General Purposes	\$ 492,000.00
Capital Expenditures	80,000.00
Fees and Penalties	42,878.93
Miscellaneous Income	8,649.11
Investment Income	4,282.45

Total General Revenues 627,810.49

Excess/(Deficit) of Expenditures over Revenue (9,889.75)

Cumulative Effect OPEB (480,204.00)

Change in Net Position (490,093.75)

Net Position - Beginning 1,929,067.35

Net Position - Ending \$ 1,438,973.60

The accompanying notes are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION – PART I

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets:			
Cash and Cash Equivalent	\$ 697,655.08	\$ 836,778.76	\$ 1,534,433.84
Accounts Receivable:			
Due from State of New Jersey	1,143.53		1,143.53
Prepaid Expenses	<u>22,777.33</u>		<u>22,777.33</u>
Total Assets	<u>\$ 721,575.94</u>	<u>\$ 836,778.76</u>	<u>\$ 1,558,354.70</u>
Liabilities:			
Accounts Payable	\$ 63,065.65	\$ 332,618.52	\$ 395,684.17
Payroll and Taxes Payable	2,863.88		2,863.88
Contingent Liability - LOSAP Contribution	<u>79,500.00</u>		<u>79,500.00</u>
Total Liabilities	<u>145,429.53</u>	<u>332,618.52</u>	<u>478,048.05</u>
Fund Balances:			
Restricted for:			
Firefighter Training and Equipment -			
Dedicated Penalties	25,174.97		25,174.97
Capital Projects		504,160.24	504,160.24
Assigned to:			
Subsequent Year's Budget	90,000.00		90,000.00
Unassigned	<u>460,971.44</u>		<u>460,971.44</u>
Total Fund Balances	<u>576,146.41</u>	<u>504,160.24</u>	<u>1,080,306.65</u>
Total Liabilities and Fund Balance	<u>\$ 721,575.94</u>	<u>\$ 836,778.76</u>	

Amounts reported for Governmental Activities in the Statement of Net Position (A-1) are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,412,455.27 and the accumulated depreciation is \$2,159,810.32.	1,252,644.95
Accrued Pension Liability (Accrued pension is a current liability that will be paid from the general fund, attributed to the fiscal year ended December 31, 2020, however will be raised in the budget for the fiscal year ended December 31, 2021)	(18,284.00)
Net Pension Liability - Not due and payable in the current period and therefore, is not reported as a liability in the funds.	(272,558.00)
Accrued OPEB Liability Accrued OPEB is a current liability that will be paid from the general fund for fiscal yearend after December 31, 2020.	(603,136.00)
Net Position Governmental Activities (A-1)	<u><u>\$ 1,438,973.60</u></u>

The accompanying notes are an integral part of this statement.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Miscellaneous Revenues Anticipated:			
Supplemental Fire Services Grant	\$ 3,328.50		\$ 3,328.50
Uniform Fire Safety Act:			
Annual Registration Fees	7,600.13		7,600.13
Non-Life Hazard Fees	315.00		315.00
Amount to be Raised by Taxation	492,000.00	\$ 80,000.00	572,000.00
Smoke Alarm Inspections	35,278.80		35,278.80
Investment Income	4,282.45		4,282.45
Insurance Reimbursements and Credits	8,288.11		8,288.11
Miscellaneous	46.00		46.00
Total Revenues	\$ 551,138.99	\$ 80,000.00	\$ 631,138.99
Expenditures:			
Operating Appropriations:			
Administration	\$ 161,581.25		\$ 161,581.25
Cost of Providing Services	292,725.57		292,725.57
Operating Appropriations Offset with Revenues	12,000.00		12,000.00
Investment in Capital Assets		\$ 685,630.07	685,630.07
Length of Service Awards Program	27,000.00		27,000.00
Total Expenditures	\$ 493,306.82	\$ 685,630.07	\$ 1,178,936.89
Net Change in Fund Balance	\$ 57,832.17	\$ (605,630.07)	\$ (547,797.90)
Fund Balance - January 1	518,314.24	1,109,790.31	1,628,104.55
Fund Balance - December 31	\$ 576,146.41	\$ 504,160.24	\$ 1,080,306.65

The accompanying notes are an integral part of this statement.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2020

Total Net Change in Fund Balances - Governmental Funds (B-2)	\$ (547,797.90)
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:	
Net pension obligation related to PERS which is attributable to December 31, 2020 reported in governmental funds; however, it is reported in the statement of activities,	(344,660.00)
Net obligation to OPEB which is attributable to December 31, 2020 reported in governmental funds; however, it is reported under the statement of activities,	(180,201.00)
Capital outlays are reported in governmental funds as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Depreciation Expense	\$ (103,064.92)
Capital Outlay	<u>685,630.07</u>
	<u>582,565.15</u>
Change in Net Position of Governmental Activities	\$ <u>(490,093.75)</u>

The accompanying notes are an integral part of this statement.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 As of December 31, 2020

	Unemployment <u>Compensation</u>	(Unaudited) Length of Service <u>Award Plan</u>
Assets:		
Cash	\$ 5,432.09	
Investments (Held by Trustee)		\$ 98,795.61
Accounts Receivable	<u>1,791.10</u>	
Total Assets	\$ <u>7,223.19</u>	\$ <u>98,795.61</u>
Net Position:		
Held in Trust for Unemployment Claims	\$ 7,223.19	
Available for Benefits		\$ <u>98,795.61</u>
Total Net Position	\$ <u>7,223.19</u>	\$ <u>98,795.61</u>

The accompanying notes are an integral part of this statement.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**COUNTY OF MONMOUTH, NEW JERSEY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

As of December 31, 2020

	<u>Unemployment Compensation</u>	(Unaudited) <u>Length of Service Award Plan</u>
Additions:		
Investment Income:		
Interest	\$ 5.43	
Contributions:		
District Contributions	<u>239.53</u>	\$ <u>11,536.01</u>
Total Additions	<u>244.96</u>	<u>11,536.01</u>
Deductions:		
Administrative Expenses	<u></u>	<u>425.00</u>
Total Deductions	<u></u>	<u>425.00</u>
Change in Net Position	244.96	11,111.01
Net Position - Beginning of Year	<u>6,978.23</u>	<u>87,684.60</u>
Net Position - End of Year	\$ <u><u>7,223.19</u></u>	\$ <u><u>98,795.61</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
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 No. 2 (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 No. 2 is a political subdivision of the Aberdeen Township, Monmouth County, New Jersey. The District's geographic area is described in Aberdeen Township Ordinance 14-2.2. 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 NO. 2
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 NO. 2
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 NO. 2
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.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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 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

GASB #68 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.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
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 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.

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the stated net position. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Budgets/Budgetary Control

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

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

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

Subsequent Events

Management has reviewed and evaluated all events and transactions from December 31, 2020 through July 1, 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.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Capital Assets

Capital Assets, which include apparatus and equipment, are reported in the Government-Wide Financial Statements. Capital Assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets at \$5,000.

Depreciation is recorded on the straight-line method (with one half year applied to the first year of acquisition) over the useful lives of the assets as follows:

Buildings	40 years
Building Improvements	20 years
Fire Trucks	20 years
Other Vehicles	5 years

Inventory Materials and Supplies

Purchase of materials and supplies are recorded as expenditures when they are acquired, regardless of when used.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2020.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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 the District's cash and cash equivalents at December 31, 2020 is as follows:

Checking Account	\$	66,620.24
Money Market		1,161,444.32
Savings - UCC		5,432.09
Savings - BFP		172,530.57
	\$	<u>1,406,027.22</u>
Allocation:		
Unrestricted - Governmental	\$	1,400,595.13
Restricted - Fiduciary		5,432.09
	\$	<u>1,406,027.22</u>

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
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 NO. 2
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, <u>2019</u>	Current Year's Activity <u>Increase</u>	Balance December 31, <u>2020</u>
Capital Assets:			
Non-Depreciable:			
Land	\$ 58,500.00		\$ 58,500.00
Total Non-Depreciable	<u>58,500.00</u>		<u>58,500.00</u>
Depreciable:			
Buildings & Improvements	1,001,971.41		1,001,971.41
Vehicles	<u>1,666,353.79</u>	\$ 685,630.07	<u>2,351,983.86</u>
Total Depreciable	<u>2,668,325.20</u>	<u>685,630.07</u>	<u>3,353,955.27</u>
Less:			
Accumulated Depreciation	<u>2,056,745.40</u>	<u>103,064.92</u>	<u>2,159,810.32</u>
Depreciable Assets, Net	\$ <u>611,579.80</u>	\$ <u>582,565.15</u>	\$ <u>1,194,144.95</u>
Net	<u>\$ 670,079.80</u>	<u>\$ 582,565.15</u>	<u>\$ 1,252,644.95</u>

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5. PENSION PLAN

Description of Plans: All required employees of the District are covered by the Public Employees' Retirement System which has been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division of Pension issues a publicly available financial report that includes the financial statements and required supplementary information by visiting their website at www.state.nj.us/treasury/pensions/pers1.

Public Employees' Retirement System (PERS)

The PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.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 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

Funding Policy: The contribution policy is set by New Jersey Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in the PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities total proportionate share of the net pension liability that is associated with the local participating employer.

During the year ended December 31, 2020 for PERS, which is a cost sharing multi-employer pension plan, the annual pension costs differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions Required to be Made

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. Employer's contributions are actuarially determined annually by the Division of Pension.

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		
	2020	2019	2018
Covered Payroll	\$ 122,300	\$ 120,952	\$ 118,580
Actuarial Contribution Requirements	16,373	16,977	16,248
Total Contributions Employer Share	16,373	16,977	16,248
Percent of Covered Employee - Payroll	13.39 %	14.04 %	13.70 %
Employee's Share	9,173	9,071	8,798
Percent of Covered Payroll	7.50 %	7.50 %	7.42 %

All contributions were equal to the required contributions for each of the three (3) years, respectively.

Due to the employee contribution percent changing July 1st of every year; the percent of covered payroll is an average of the first two quarters and the last two quarters of the year.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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.

The District reported a liability of \$272,558 and \$300,665 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,</u>	
	<u>2020</u>	<u>2019</u>
Local Group Share	\$ 16,435,616,426	\$ 18,143,832,135
Authority Proportionate Percentage	0.0016713750 %	0.0016686449 %
Difference - Increase	0.0000027301 %	

For the year ended December 31, 2020, the District recognized pension benefit of \$6,153. 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	\$ 8,842	\$ 114,122
Net difference between expected and actual experience	4,963	964
Net difference between projected and actual investment earnings on pension plan investment	9,316	
Changes in proportion	4,512	2,933
District contributions subsequent to the measurement date	<u>18,284</u>	
Total	<u>\$ 45,917</u>	<u>\$ 118,019</u>

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The \$18,284 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, 2020. 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>
2021	\$ (33,729)
2022	(30,751)
2023	(17,573)
2024	(7,106)
2025	(1,536)

Additional Information:

Collective (local employers) balances at June 30, 2020 and June 30, 2019 are as follows:

	<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 net pension liability	16,435,616,426	18,143,832,135
Collective pension expenses	407,705,399	974,471,686
District's proportion (of Local Group)	0.0016713750 %	0.0016686449 %

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, 2020. This actuarial valuation used the following assumptions:

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00–6.00% (based on years of service)
Thereafter	3.00–7.00% (based on years of service)
Investment Rate of Return	7.00%

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2000 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-2019.

The actuarial assumptions used in the 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.

Long-Term Rate of Return

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 the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

<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 Markets Equity	13.50	8.57
Emerging Market Equities	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
US Treasurers	5.00	1.94
Risk Mitigation Strategies	3.00	3.40
	<u>100.00 %</u>	

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 made based on 78% of the actuarially determined contributions for the State employer and 100% of the 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.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5. PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

The following presents the collective net pension liability of the participating employers as of (*measurement dates*) June 30, 2020, 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:

	[Measurement Date June 30, 2020]		
	December 31, 2020		
	1% Decrease 6.00%	At Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the pension liability	\$ 341,030	\$ 272,558	\$ 211,418

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.

Note 6. POST EMPLOYMENT RETIREMENT BENEFITS

Annual Costs

The District provides for the retiree health benefits on a "Pay as You Go" basis. The Authority'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>
2020	2	\$ 17,191.25
2019	N/A	N/A
2018	N/A	N/A

The Authority joined the NJSHBP on April 1, 2020.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Plan Description – NJSHBP

Data for the OPEB was abstracted from the State of New Jersey Local Education Retired Employees Plan as of June 30, 2020 Independent Auditor's Report dated January 28, 2022.

The NJSHBP as of July 1, 2020 had statewide for the local employee groups of 62,547 active and 30,614 retired for a total of 93,161 members. The Authority at December 31, 2020 had 2 active and 0 retired employees for a total participation of 2.

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 NJSHBP 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, refer to the State of New Jersey, Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. **POST EMPLOYMENT RETIREMENT BENEFITS (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, 2018 through June 30, 2019. 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 NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Plan Description – NJSHBP (Continued)

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

12/31/2021 [June 30 Measurement Date]	
<u>2020</u>	<u>2019</u>
\$ 344,396.00	Not Applicable

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

12/31/2021 [June 30 Measurement Date]	
<u>2020</u>	<u>2019</u>
0.001919002 %	Not Applicable

Total Nonemployer OPEB Liability (PERS Employees)

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>
	(based on age)
Salary increases through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%

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. Certain actuarial assumptions used in the July 1, 2019 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan and the Public Employees' Retirement System (PERS). The PERS experience studies were prepared for the period July 1, 2014 to June 30, 2018.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. **POST EMPLOYMENT RETIREMENT BENEFITS (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 4.5% 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 30, 2020, 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:

December 31, 2020 [June 30, 2020 <i>Measurement Date</i>]		
<u>At 1% Decrease (1.21%)</u>	<u>At Discount Rate (2.21%)</u>	<u>At 1% Increase (3.21%)</u>
\$ 407,149	\$ 344,396	\$ 294,721

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. **POST EMPLOYMENT RETIREMENT BENEFITS (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 30, 2020 and June 30, 2019, 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:

December 31, 2020 [June 30, 2020 Measurement Date]		
1% Decrease	Healthcare Cost Trend Rate	1% Increase
\$ 284,988	\$ 344,396	\$ 422,191

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

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

For the year ended June 30, 2020, the Authority recognized OPEB benefit of \$163,718, 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.

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.

	Deferred <u>Outflows</u>	Deferred <u>Inflows</u>
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	\$ 219	
Difference between Expected and Actual Experience	9,071	\$ 64,133
Changes in Assumptions	51,511	76,588
Changes in Proportion	<u>373,506</u>	
Sub-total	<u>\$ 434,307</u>	<u>\$ 140,721</u>

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

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

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:

Measurement Period Ending June 30,

2021	(18,513)
2022	(18,529)
2023	(18,566)
2024	(18,582)
2025	(12,670)
Thereafter	6,932

Pension Plan Fiduciary Net Position

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

Additional Information

Collective balances of the PERS Local Retirement Group (Statewide) are as follows:

	December 31, 2020
	<u>June 30, Measurement Date</u>
Deferred outflows of resources	\$ 7,524,438,130
Deferred inflows of resources	11,689,138,161
Net OPEB liability	12,946,612,946
Total OPEB expense (benefit)	141,988,939
Authority's proportionate share	0.001919002 %

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6. **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Additional Information (Continued)

Shown below are details regarding the Total OPEB Liability for the measurement period for the PERS Local Retirement Group (Statewide):

	<u>2020</u> <u>Total OPEB Liability</u>
Balance as of June 30, 2019	\$ 13,546,071,100
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 605,949,339
Interest Cost	497,444,533
Changes of Assumptions	3,074,968,821
Change of Benefit Terms	1,034,142
Difference between Expected and Actual Expenses	541,506,395
Contributions from the Employer	(292,404,377)
Contributions from Non-Employer Contributing Entities	(35,011,940)
Net Investment Income	(2,858,334)
Administrative Expense	9,913,267
Net Changes	\$ 4,400,541,846
Balance as of June 30, 2020	<u>\$ 17,946,612,946</u>

Changes of assumptions and other inputs reflect a change in the discount rate of 3.50% in 2020. The component of the Net OPEB Liability is as follows:

	<u>[Measurement Date]</u> <u>June 30, 2020</u>
Total OPEB Liability	\$ 18,111,475,228
Plan Fiduciary Net Position	<u>164,862,282</u>
Net OPEB Liability	<u>\$ 17,946,612,946</u>
Net Position as a Percentage of OPEB Liability	0.90%
Special Funding Situation	\$ 5,512,481,278
Non-special Funding Situation	<u>12,598,993,950</u>
	<u>\$ 18,111,475,228</u>

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 7. 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

Note 8. LENGTH OF SERVICE AWARD PROGRAM

The District adopted resolution 2009-2 on June 1, 2009 establishing a Length of Service Awards Program ("LOSAP"). The LOSAP will provide tax-deferred income benefits to the active volunteer firefighters and first aid squad members who are eligible to participate. The 2020 budget charge to fund the LOSAP was \$27,000.00. The balance of \$79,500.00 is shown as a contingent liability in the financial statements. The amount of the contribution at yearend is not known. The District charged the budget for the entire amount budgeted. When the actual contribution is calculated, funds will be transferred to the LOSAP fund and the remaining balance will be closed to net position and fund balance as appropriate. The financial statements of the LOSAP are included in the Fiduciary Fund financial statements and are unaudited.

Contributions from the District for the last three (3) years are as follows:

<u>Applicable Year</u>	<u>Amount</u>	<u>Per Member Contribution</u>
2020	\$ 15,000.00	\$ 1,000.00
2019	10,000.00	1,000.00
2018	16,000.00	1,000.00

Note 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of damage to and destruction of assets, errors and omissions and natural disasters.

Property and Liability Insurance – the District maintains commercial insurance coverage for property, liability and surety bonds. There were no significant reductions in coverage from the prior year and no settlements in excess of insurance coverage in 2020, 2019 and 2018.

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 10. **FUND BALANCE APPROPRIATED**

Basic Financial Statements

General Fund – of the \$576,146.41 General Fund fund balance at December 31, 2020, \$90,000.00 has been appropriated and included as anticipated revenue for the year 2021 and \$25,174.97 is restricted for Firefighter Training and Equipment – Dedicated Penalties and \$460,971.44 is unassigned.

Capital Project Fund – of the \$504,160.24 balance is the District's Capital Fund fund balance, \$291,058.68 is specifically earmarked and the difference of \$213,106.56 is unreserved.

Subsequent Event for Fiscal Year Ended December 31, 2020

Of the Unrestricted General Fund balance \$120,000.00 has been appropriated and included as anticipated revenue for the year 2022.

Note 11. **FUND BALANCE RECONCILIATION**

Balance Budgetary Basis per C-1	\$ 553,369.08
Add: Prepaid Insurance Chargeable under GAAP to Subsequent Year	<u>22,777.33</u>
Fund Balance GAAP Basis per B-1 and B-2	<u><u>\$ 576,146.41</u></u>

Note 12. **COMMITMENTS AND CONTINGENCIES**

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

Note 13: **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. Management does not believe that there will be an adverse impact for the year ending December 31, 2021. A significant portion of the revenue to support District operations is tax levy. Certain other miscellaneous revenues may be impacted due to the economic effect of the closures and curfew. 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 #2
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST EIGHT (8) 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	0.0016713750 %	\$ 272,558	\$ 122,300	222.80 %	58.32 %
2019	0.0016686449	300,665	120,952	248.58	56.27
2018	0.0016899951	332,475	118,580	280.39	46.40
2017	0.0016899951	393,404	118,580	331.76	48.10
2016	0.0016603149	491,738	117,080	420.00	40.14
2015	0.0015486225	347,635	106,816	325.45	47.93
2014	0.0012990300	243,214	107,324	154.59	52.08
2013	0.0010385152	318,635	115,000	277.07	48.72

Note: Only the last eight (8) 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 #2
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST EIGHT (8) 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	\$ 16,373	\$ 16,373	None	\$ 122,300	13.39 %
2019	16,977	16,977	None	120,952	14.04
2018	16,248	16,248	None	118,580	13.70
2017	14,750	14,750	None	118,580	12.44
2016	13,314	13,314	None	117,080	11.37
2015	16,709	16,709	None	106,816	15.64
2014	13,988	13,988	None	107,324	13.03
2013	12,562	12,562	None	115,000	10.92

Note: Only the last eight (8) 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.

INDIVIDUAL FUND STATEMENTS

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended December 31, 2020

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Final To Actual
Fund Balance Utilized:				
Unrestricted Fund Balance	\$ 72,388.00	\$ 72,388.00	\$ 72,388.00	
Revenues:				
Supplemental Fire Services Grant	3,328.00	3,328.00	3,328.50	\$ 0.50
Uniform Fire Safety Act:				
Annual Registration Fees	12,000.00	12,000.00	7,600.13	(4,399.87)
Non Life Hazard Fees			315.00	315.00
Amount to be Raised by Taxation	492,000.00	492,000.00	492,000.00	
Smoke Alarm Inspections	7,500.00	7,500.00	35,278.80	27,778.80
Interest Income			4,282.45	4,282.45
Insurance Reimbursements and Other Credits			8,288.11	8,288.11
Miscellaneous Income			46.00	46.00
Total Revenues	514,828.00	514,828.00	551,138.99	36,310.99
Total Revenues	587,216.00	587,216.00	623,526.99	36,310.99
Expenditures:				
Administration:				
Salaries and wages	\$ 63,554.00	\$ 63,554.00	\$ 55,665.25	\$ 7,888.75
Salaries and wages-Commissioners	48,500.00	48,500.00	48,500.00	
Fringe benefits	24,461.00	24,461.00	22,860.83	1,600.17
Election	3,000.00	3,000.00	3,453.24	(453.24)
Office Expenses and Maintenance	15,200.00	15,200.00	9,347.85	5,852.15
Professional Services	21,000.00	21,000.00	20,300.00	700.00
Office Equipment	3,000.00	3,000.00		3,000.00
Total Administration	178,715.00	178,715.00	160,127.17	18,587.83

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended December 31, 2020

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Final To Actual
Expenditures (Continued)				
Cost of Providing Services:				
Salaries and Wages	\$ 63,885.00	\$ 63,885.00	\$ 63,885.00	
Fringe Benefits	58,016.00	58,016.00	43,244.19	\$ 14,771.81
Advertising	1,500.00	1,500.00	497.00	1,003.00
Insurance	50,000.00	50,000.00	33,338.52	16,661.48
Maintenance & Repairs	65,500.00	65,500.00	65,269.41	230.59
Membership/Dues	600.00	600.00	3,431.43	(2,831.43)
Uniforms	28,000.00	28,000.00	18,257.00	9,743.00
Utilities	15,000.00	15,000.00	8,436.49	6,563.51
Gasoline	8,000.00	8,000.00	3,323.91	4,676.09
Joint Purchase Agreement	5,000.00	5,000.00	5,000.00	
Bureau of Fire Prevention	9,000.00	9,000.00		9,000.00
BFP Operations	12,000.00	12,000.00	7,134.13	4,865.87
Other Assets - Non Bondable:				
Radio Equipment	3,000.00	3,000.00	949.00	2,051.00
Fire Fighting Equipment	50,000.00	50,000.00	40,021.15	9,978.85
Total Cost of Providing Services	<u>369,501.00</u>	<u>369,501.00</u>	<u>292,787.23</u>	<u>76,713.77</u>
Operating Appropriations Offset with Revenues:				
Salaries and Wages	<u>12,000.00</u>	<u>12,000.00</u>	<u>12,000.00</u>	
Length of Service Awards Program	<u>27,000.00</u>	<u>27,000.00</u>	<u>27,000.00</u>	
Total Expenditures	<u>\$ 587,216.00</u>	<u>\$ 587,216.00</u>	<u>\$ 491,914.40</u>	<u>\$ 95,301.60</u>
Excess of Revenues Over/(Under) Expenditures			131,612.59	131,612.59
Fund Balance, January 1	<u>378,835.73</u>	<u>378,835.73</u>	<u>494,144.49</u>	<u>(115,308.76)</u>
	378,835.73	378,835.73	625,757.08	16,303.83
Less: Fund Balance Utilized	<u>(72,388.00)</u>	<u>(72,388.00)</u>	<u>(72,388.00)</u>	
Fund Balance, December 31 (Budgetary Basis)	<u>\$ 306,447.73</u>	<u>\$ 306,447.73</u>	<u>\$ 553,369.08</u>	<u>\$ 16,303.83</u>
Analysis of Actual				
Transferred to Commitments Payable	\$ 27,000.00			
Prepaid Expenses Applied	22,777.33			
Transferred to Accounts Payable	48,065.65			
Cash Disbursed	395,349.66			
Other	<u>(1,278.24)</u>			
	<u>\$ 491,914.40</u>			

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

BUDGET -to- GAAP RECONCILIATION
For the Year Ended December 31, 2020

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (C-1)	\$ 623,526.99
Differences - budget to GAAP:	
The fund balance appropriated is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(72,388.00)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 551,138.99</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (C-1)	\$ 491,914.40
Differences - budget to GAAP:	
Expenditures for Prepaid Insurance that were chargeable for budgetary purposes but relative to the next subsequent year	<u>1,392.42</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 493,306.82</u>

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
COUNTY OF MONMOUTH, NEW JERSEY

SUMMARY STATEMENT OF PROJECT EXPENDITURES AND RESTRICTED NET POSITION
 CAPITAL PROJECTS FUND
 As of December 31, 2020

<u>Issue/Project Title</u>	<u>Date Authorized</u>	<u>Appropriation</u>	<u>Balance Dec. 31, 2019</u>	<u>Increases</u>	<u>Transfer</u>	<u>Expenditures</u>	<u>Balance Dec. 31, 2020</u>
Pumper Truck	02/17/2007	\$ 100,000.00	\$ 796.00	\$ -	\$ -	\$ -	\$ 796.00
Heavy Duty Electric Generator for the Cliffwood Fire House	02/19/2011	175,000.00	114,951.50	-	-	-	114,951.50
Building Improvements	12/16/2013	125,000.00	-	-	-	-	-
	12/1/2014	50,000.00	-	-	-	-	-
	12/21/2015	75,000.00	81,089.59	-	-	-	81,089.59
Fire Official SUV	10/15/2018	60,000.00	14,467.66	-	-	-	14,467.66
Fire Chief Response Vehicle	2/17/2018	65,000.00	384.00	-	-	-	384.00
Acquisition of New Fire Truck	2/16/2019	700,000.00	700,000.00	80,000.00	(80,000.00)	685,630.07	14,369.93
Acquisition of New Chief's Vehicle	2/17/2018	65,000.00	65,000.00	-	-	-	65,000.00
Capital Projects to be Determined in Future Years	N/A	N/A	133,101.56	-	80,000.00	-	213,101.56
		\$ 1,415,000.00	\$ 1,109,790.31	\$ 80,000.00	\$ -	\$ 685,630.07	\$ 504,160.24

Tax Levy

\$ 80,000.00

Analysis of Expenditures

Cash Disbursed	\$ 353,011.55
Accounts Payable	332,618.52
	<u>\$ 685,630.07</u>

SUPPLEMENTARY INFORMATION

ABERDEEN TOWNSHIP FIRE DISTRICT #2
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL FUND AND CAPITAL PROJECTS FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
YEAR ENDED DECEMBER 31, 2020

	<u>Fund</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Receipts:			
District Taxes	\$ 492,000.00	\$ 80,000.00	\$ 572,000.00
Interest on Investments	4,282.45		4,282.45
Current Year Payroll Taxes	2,863.88		2,863.88
Annual Registration Fees	7,600.13		7,600.13
Non Life Hazard Fees	315.00		315.00
Supplemental Fire Services	3,328.50		3,328.50
Miscellaneous	46.00		46.00
Insurance Reimbursement and other credits	3,441.61		3,441.61
Smoke Detectors	35,278.80		35,278.80
	<u>\$ 549,156.37</u>	<u>\$ 80,000.00</u>	<u>\$ 629,156.37</u>
Disbursements:			
Accounts Payable Prior Year	\$ 30,438.95		\$ 30,438.95
Prepaid Expenses	22,777.33		22,777.33
Operating Appropriations	395,349.66		395,349.66
Capital Projects Fund		\$ 353,011.55	353,011.55
	<u>\$ 448,565.94</u>	<u>\$ 353,011.55</u>	<u>\$ 801,577.49</u>
Increase/(Decrease) in Cash and Cash Equivalents	\$ 100,590.43	(273,011.55)	\$ (172,421.12)
Cash and Cash Equivalents, January 1, 2020	<u>597,064.65</u>	<u>\$ 1,109,790.31</u>	<u>1,706,854.96</u>
Cash and Cash Equivalents, December 31, 2020	<u>\$ 697,655.08</u>	<u>\$ 836,778.76</u>	<u>\$ 1,534,433.84</u>
Analysis of Cash and Cash Equivalents:			
Cash - Checking	\$ 57,458.95		\$ 57,458.95
Money Market	467,665.56	\$ 836,778.76	1,304,444.32
Savings Account	172,530.57		172,530.57
	<u>\$ 697,655.08</u>	<u>\$ 836,778.76</u>	<u>\$ 1,534,433.84</u>

ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
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	\$ 805,350,190.00	\$ 572,000.00	0.072
2019	768,552,090.00	572,000.00	0.075
2018	751,279,990.00	572,000.00	0.077
2017	726,273,300.00	560,000.00	0.078
2016	710,469,800.00	560,000.00	0.079

Unrestricted Net Position – General Fund

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Year Budget</u>
December 31, 2020	\$ 550,971.40	\$ 90,000.00
December 31, 2019	493,139.27	72,388.00
December 31, 2018	460,375.73	81,540.00
December 31, 2017	389,784.46	81,299.00
December 31, 2016	380,574.78	67,101.00

BOARD OF FIRE COMMISSIONERS
ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2
ROSTER OF OFFICIALS
DECEMBER 31, 2020

Board of Commissioners

	<u>Position</u>
James Marsh	President
Michael Bellamy	Vice President
James W. Black	Secretary
James T. Connelly	Treasurer *
Thomas DeGiglio	Commissioner

Other Officials

Allen E. Falk, Esq.	Board Attorney
George Lang	Board Accountant
George C. Chevalier	Fire Official
David San Martin	Fire Inspector
Yvette R. Bing	Office Manager/Clerk
Santander Bank	Official Depository - Checking
Two River Community Bank	Official Depository - Savings

*** Surety Company**

Amount of Bond \$100,000.00

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS
DECEMBER 31, 2020

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Fire District No. 2, Aberdeen Township handled by the accountant 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

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 for Commissioners were paid in accordance with the budget and the employees salaries were not approved by resolution of the Board but were within the guidelines set up in the annual budget. Salary for employee should be approved annually by resolution.

GENERAL COMMENTS (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 No. 2 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 or cooperative purchasing agreement:

Fire Truck

Fire Equipment

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 utilize a "Quote Documentation" sheet and Business Registration Certificate ("BRC") for all expenditures greater than \$2,625.00 (the quote threshold).

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 COMMENTS (CONTINUED)
DECEMBER 31, 2020

General Ledger

The District maintains a general ledger as required by the General Accounting Office (GAO).

Miscellaneous

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

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 over a horizontal line.

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