

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

**REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2015**

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**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
ROSTER OF OFFICIALS  
DECEMBER 31, 2015**

**BOARD OF FIRE COMMISSIONERS**

James Marsh, President

Michael Bellamy, Vice President

James T. Connelly, Treasurer

Thomas DeGiglio, Secretary

James W. Black, Commissioner

**OTHER OFFICIALS**

Allen Falk, Esq., Attorney

## FINANCIAL SECTION

# FALLON & LARSEN LLP

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Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
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## INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners  
Aberdeen Township Fire District No. 2  
P.O. Box 469  
Cliffwood, New Jersey 07730

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Fire Commissioners of the Aberdeen Township Fire District No. 2, (the "District"), in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The financial statements of the Length of Service Awards Program ("LOSAP") were not audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

### **Basis for Qualified Opinion**

The financial statements of the Length of Service Award Program Fund (“LOSAP”) have not been audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements. The LOSAP Fund financial activities are included in the District’s Fiduciary Funds and represent 87.73%, 87.73% and 97.23% of the assets, net position, and revenues, respectively of the District’s Fiduciary Funds.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the District’s Fiduciary Funds as of December 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, Capital Projects Fund and Unemployment Compensation Fund and the aggregate remaining fund information of the District as of December 31, 2015 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Adoption of New Accounting Principles*

As discussed in note 2 to the financial statements, during the year ended December 31, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

#### *Prior Period Restatement*

Because of the implementation of GASB Statements No. 68 and No. 71, net position as of December 31, 2014, on the statement of activities has been restated, as discussed in note 13 to the financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 14 and Exhibit C-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Aberdeen Fire District No. 2's financial statements. The Summary Schedule of Project Expenditures and Restricted Net Position - Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements and is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The Summary Schedule of Project Expenditures and Restricted Net Position - Capital Projects Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Charles J. Fallon CPA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Larsen LLP*

Fallon & Larsen LLP

Hazlet, New Jersey  
December 2, 2016

# FALLON & LARSEN LLP

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Fire Commissioners  
Aberdeen Township Fire District No. 2  
P.O. Box 469  
Cliffwood, New Jersey 07730

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the governmental activities, each major fund and the aggregate remaining fund information of the Board of Fire Commissioners of the Aberdeen Township Fire District No. 2, (the "District"), of the State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2016. The financial statements of the Length of Service Award Program ("LOSAP") were not audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We expressed a qualified opinion on the conformity of the statements with accounting principles generally accepted in the United States of America because the Division of Local Government Services does not require the Length of Service Award Program to be audited, only reviewed.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements in a timely basis. A material weakness is a deficiency, or a 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Aberdeen Township Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Aberdeen Township Fire District No. 2 in the accompanying comments and recommendations.

### **Purpose of this Report**

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

*Charles J. Fallon CPA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Larsen LLP*

Fallon & Larsen LLP

Hazlet, New Jersey  
December 2, 2016

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**TOWNSHIP OF ABERDEEN FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

*Our discussion and analysis of the Township of Aberdeen Fire District No. 2's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015. Please read this analysis in conjunction with the District's financial statements.*

**Financial Highlights**

- During the year ended December 31, 2015, the Fire District was required to implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The notes to the financial statements provide a more thorough discussion of the implementation of GASBS No. 68 and GASBS No. 71 and the financial statement effects.
- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,825,184.88 (net position) as of December 31, 2015. This compares to December 31, 2014 when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,746,319.41 after restatement for GASBS No. 68 and No. 71.
- In total, net position increased \$78,865.47 or 4.52%.
- The District had \$546,744.36 in expenses. \$3,328.50 of this was offset by charges for services and grants. General revenues (primarily taxes) were adequate to provide for these programs.
- \$125,000.00 was levied in taxes to finance the District's capital program. Net Position Restricted for Capital Projects increased \$125,000.00 or 13.68%.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets, of \$738,269.11 consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - (2) Restricted net position of \$1,065,024.03 is restricted by constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
  - (3) Unrestricted net position of \$22,891.74 represents the portion available to maintain the District's continuing obligation to citizens and creditors.

**TOWNSHIP OF ABERDEEN FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Overview of the Financial Statements**

The financial statements consist of the following parts: Management's Discussion and Analysis; the Basic Financial Statements consisting of government-wide financial statements, and fund financial statements; Notes to the Financial Statements; and Required Supplementary Information.

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position (Exhibit A-1) and Statement of Activities (Statement A-2). The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash is received or paid.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet (Exhibit B-1) and Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2). The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

Exhibit B-1 - Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position, explains the differences between the two statements. Exhibit B-3 - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, traces the change in fund balances to the change in net position reported in Exhibit A-2.

The government-wide and governmental funds financial statements show the results of the following funds:

General Fund - This Fund is used to finance the operations of the District. All tax revenues are placed in the General Fund and regular operating expenses are charged here. Funds to be used for capital equipment and projects are transferred from the General Fund to the Capital Projects Fund. Funds to be used for payment of debt service are transferred to the debt service fund.

Capital Projects Fund - This Fund is used to separate funds for capital equipment and projects. All capital expenditures are taken from this Fund. Funds in this account come from revenue transferred from the General Fund to be used for capital improvements and the sale of existing assets.

**TOWNSHIP OF ABERDEEN FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Overview of the Financial Statements (continued)**

Debt Service Fund - This Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The District currently has no debt outstanding.

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is "Is the District as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report net position of the District and the changes in net position. The reader can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**TOWNSHIP OF ABERDEEN FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end is \$1,825,184.88. This is a \$78,865.47 increase over last year's net position of \$1,746,319.41. A summary of the District's statement of net position is presented in the following table:

<b>Condensed Statement of Net Position</b>				
	FY 2015	Restated FY 2014	Dollar Change	Percent Change
Current and Non-current assets	\$ 1,498,241.02	\$ 1,281,017.00	\$ 217,224.02	16.96%
Capital Assets, net of accumulated depreciation	738,269.11	829,930.22	(91,661.11)	-11.04%
Total assets	<u>2,236,510.13</u>	<u>2,110,947.22</u>	<u>125,562.91</u>	5.95%
Deferred Outflows of Resources	91,929.00	7,648.00	84,281.00	1,102.00%
Long-term liabilities	347,635.00	243,214.00	104,421.00	42.93%
Other liabilities	101,519.25	55,129.81	46,389.44	84.15%
Total liabilities	<u>449,154.25</u>	<u>298,343.81</u>	<u>150,810.44</u>	50.55%
Deferred Inflows of Resources	54,100.00	73,932.00	(19,832.00)	-26.82%
Invested in capital assets, net of related debt	738,269.11	829,930.22	(91,661.11)	-11.04%
Restricted for:				
Firefighter Training and Equipment	25,174.97	25,174.97	-	0.00%
Capital Projects	1,038,849.06	913,849.06	125,000.00	13.68%
Unrestricted	22,891.74	(22,634.84)	45,526.58	-201.13%
Total Net Position	<u>\$ 1,825,184.88</u>	<u>\$ 1,746,319.41</u>	<u>\$ 78,865.47</u>	4.52%

While the Statement of Net Position shows the change in financial position, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$78,865.47.

**TOWNSHIP OF ABERDEEN FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Governmental Activities**

The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

<u>Expenses</u>	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Administration	\$ 138,758.71	\$ 125,032.94	\$ 13,725.77
Cost of providing services	375,985.65	328,320.77	47,664.88
Operating appropriations offset with revenues	14,000.00	44,347.44	(30,347.44)
LOSAP	18,000.00	18,000.00	-
Debt service	-	-	-
 Total program expense	 <u>546,744.36</u>	 <u>515,701.15</u>	 <u>31,043.21</u>
 <u>Program Revenues</u>			
Operating grants and contributions	<u>3,328.50</u>	<u>3,328.50</u>	<u>-</u>
Net program expenses	<u>543,415.86</u>	<u>512,372.65</u>	<u>31,043.21</u>
 <u>General Revenues</u>			
Property taxes	560,000.00	560,000.00	-
Miscellaneous income	<u>62,281.33</u>	<u>50,249.47</u>	<u>12,031.86</u>
Total general revenues	<u>622,281.33</u>	<u>610,249.47</u>	<u>12,031.86</u>
Increase/(decrease) in net position	78,865.47	97,876.82	(19,011.35)
Net position, January 1	<u>1,746,319.41</u>	<u>1,968,649.59</u>	<u>(222,330.18)</u>
Net Position, December 31 (prior to restatement)	1,825,184.88	2,066,526.41	(241,341.53)
Restatement to record Net Position Liability (GASB's No. 68 and No. 71)	<u>-</u>	<u>(320,207.00)</u>	<u>320,207.00</u>
 Net position, December 31	 <u>\$ 1,825,184.88</u>	 <u>\$ 1,746,319.41</u>	 <u>\$ 78,865.47</u>

Property taxes constituted 89.51% of revenues for government activities for the Fire District for the year 2015.

Cost of operations and maintenance including operating appropriation offset with revenues comprised 71.33% of fire district expenses, with administration and LOSAP comprising 25.38% and 3.29%, respectively.

**TOWNSHIP OF ABERDEEN FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Budgetary Highlights**

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute N.J.S.A. 40A:78-3. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the District for the coming year will be sufficient to cover operating expenses.

The following table provides a 2015 budget comparison:

	Budget as Modified	Actual	Variance - Favorable (Unfavorable)
Fund Balance Utilized:			
Unrestricted	\$ 67,195.00	\$ 67,195.00	\$ -
Revenues:			
Property taxes	435,000.00	435,000.00	-
Other revenues	22,828.00	65,609.83	42,781.83
Total revenues and fund balance utilized	<u>525,023.00</u>	<u>567,804.83</u>	<u>42,781.83</u>
General Fund Appropriations:			
Administration	147,997.00	134,099.99	13,897.01
Cost of providing services	345,026.00	278,799.68	66,226.32
Operating appropriations offset with revenues	14,000.00	14,000.00	-
Length of Services Award Program	<u>18,000.00</u>	<u>18,000.00</u>	<u>-</u>
Total general fund appropriations	525,023.00	444,899.67	80,123.33
Excess of revenues over appropriations	-	122,905.16	122,905.16
Less: Fund balance utilized	(67,195.00)	(67,195.00)	
Fund balance, January 1 (Restated)	<u>293,877.63</u>	<u>293,877.63</u>	<u>-</u>
Fund balance, December 31	<u>\$ 226,682.63</u>	<u>\$ 349,587.79</u>	<u>\$ 122,905.16</u>

**TOWNSHIP OF ABERDEEN FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2015, the District's net property, plant and equipment was \$738,269.11. This is a \$91,661.11 decrease over last year's net property, plant and equipment of \$829,930.22. The decrease is principally due to depreciation expense being \$91,661.11 while additions were \$0.00. A summary of the District's capital assets is presented in the following table:

**CAPITAL ASSETS**

	FY 2015	FY 2014
Land	\$ 58,500.00	\$ 58,500.00
Buildings and Building Improvements	833,061.00	833,061.00
Vehicles	1,556,205.45	1,556,205.45
	2,447,766.45	2,447,766.45
 Less: accumulated depreciation	 (1,709,497.34)	 (1,617,836.23)
	 \$ 738,269.11	 \$ 829,930.22

Debt Administration

The District had no debt as of December 31, 2015.

**Economic Factors, Future Years' Budgets and Rates**

The Commissioners and management of the District consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the District's system and new regulations issued by the State and Federal governments.

**Contacting the District**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Aberdeen Township Fire District No. 2, P.O. Box 469, Cliffwood, New Jersey 07721.

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH

STATEMENT OF NET POSITION

As of December 31, 2015

	<u>Governmental Activities</u>	<u>Total</u>
Assets:		
Cash	\$ 404,817.54	\$ 404,817.54
Receivables:		
Due from State of New Jersey	1,143.53	1,143.53
Prepaid Expenses	28,255.92	28,255.92
Restricted Cash	1,064,024.03	1,064,024.03
Capital Assets, Net	<u>738,269.11</u>	<u>738,269.11</u>
Total Assets	<u>2,236,510.13</u>	<u>2,236,510.13</u>
Deferred Outflows of Resources:		
Related to Pensions	<u>91,929.00</u>	<u>91,929.00</u>
Liabilities:		
Current Liabilities:		
Accounts Payable:		
Other	31,055.25	31,055.25
Pensions	13,314.00	13,314.00
Payroll and Taxes Payable	2,493.00	2,493.00
Accrued Pension Liability	6,657.00	6,657.00
Contingent Liability - LOSAP Contribution	48,000.00	48,000.00
Non Current Liabilities:		
Due in More Than One Year - Net Pension Liability	<u>347,635.00</u>	<u>347,635.00</u>
Total Liabilities	<u>449,154.25</u>	<u>449,154.25</u>
Deferred Inflows of Resources:		
Related to Pensions	<u>54,100.00</u>	<u>54,100.00</u>
Net Position:		
Net Investment in Capital Assets	738,269.11	738,269.11
Restricted for:		
Firefighter Training and Equipment		
Dedicated Penalties	25,174.97	25,174.97
Capital Projects	1,038,849.06	1,038,849.06
Unrestricted Net Position	<u>22,891.74</u>	<u>22,891.74</u>
Total Net Position	<u>\$ 1,825,184.88</u>	<u>\$ 1,825,184.88</u>

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, 2015

<u>Function/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Total</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
					<u>Governmental Activities</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>						
Operating Appropriations:						
Administration	\$ 138,758.71	\$	\$ 138,758.71	\$	\$ (138,758.71)	\$ (138,758.71)
Cost of Providing Services	284,324.54	91,661.11	375,985.65	3,328.50	(372,657.15)	(372,657.15)
Operating Appropriations Offset With Revenues	14,000.00		14,000.00		(14,000.00)	(14,000.00)
Length of Service Awards Program	18,000.00		18,000.00		(18,000.00)	(18,000.00)
Total Government Activities	<u>455,083.25</u>	<u>91,661.11</u>	<u>546,744.36</u>	<u>3,328.50</u>	<u>(543,415.86)</u>	<u>(543,415.86)</u>
Total Primary Government	<u>\$ 455,083.25</u>	<u>\$ 91,661.11</u>	<u>\$ 546,744.36</u>	<u>\$ 3,328.50</u>	<u>(543,415.86)</u>	<u>(543,415.86)</u>
<b>GENERAL REVENUES</b>						
Property Taxes Levied for:						
General Purposes					435,000.00	435,000.00
Capital Expenditures					125,000.00	125,000.00
Uniform Fire Safety Act:						
Annual Registration Fees					11,960.35	11,960.35
Penalties and Fines					400.00	400.00
Smoke Alarm Inspections					20,970.00	20,970.00
Permits					2,747.00	2,747.00
Insurance Reimbursements and Credits					21,145.66	21,145.66
Miscellaneous Income					92.44	92.44
Investment Income					4,965.88	4,965.88
Total General Revenues					<u>622,281.33</u>	<u>622,281.33</u>
Change in Net Position					78,865.47	78,865.47
Net Position - Beginning (Restated)					<u>1,746,319.41</u>	<u>1,746,319.41</u>
Net Position - Ending					<u>\$ 1,825,184.88</u>	<u>\$ 1,825,184.88</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

BALANCE SHEET  
 GOVERNMENTAL FUNDS

As of December 31, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash	\$ 429,992.51	\$ 1,038,849.06	\$ 1,468,841.57
Accounts Receivable:			
Due from State of New Jersey	<u>1,143.53</u>		<u>1,143.53</u>
Total Assets	<u>\$ 431,136.04</u>	<u>\$ 1,038,849.06</u>	<u>\$ 1,469,985.10</u>
Liabilities and Fund Balance:			
Accounts Payable	\$ 31,055.25	\$	\$ 31,055.25
Payroll and Taxes Payable	2,493.00		2,493.00
Contingent Liability - LOSAP Contribution (NOTE 7)	<u>48,000.00</u>		<u>48,000.00</u>
Total Liabilities	<u>81,548.25</u>		<u>81,548.25</u>
Fund Balances:			
Restricted for:			
Firefighter Training and Equipment - Dedicated Penalties	25,174.97		25,174.97
Capital Projects		1,038,849.06	1,038,849.06
Assigned to:			
Subsequent Year's Budget	70,151.00		70,151.00
Unassigned	<u>254,261.82</u>		<u>254,261.82</u>
Total Fund Balances	<u>349,587.79</u>	<u>1,038,849.06</u>	1,388,436.85
Total Liabilities and Fund Balance	<u>\$ 431,136.04</u>	<u>\$ 1,038,849.06</u>	(Continued)

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

BALANCE SHEET  
 GOVERNMENTAL FUNDS

As of December 31, 2015

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

Prepaid expenses are reported in the governmental funds as expenditures. However, in the statement of net position, the cost is expensed in the period benefited.	28,255.92
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,447,766.45 and the accumulated depreciation is \$1,709,497.34.	738,269.11
Deferred outflows and deferred inflows related to the refunding of debt and pensions represent the consumption and acquisition, respectively, of resources that relates to future periods, therefore, such amounts are not reported in the fund financial statements.	31,172.00
Accounts payable and accrued expenses related to pensions are not liquidated with current financial resources, therefore, such amounts are not recorded in the fund financial statements.	(13,314.00)
Long-term liabilities, including bonds payable, capital leases, compensated absences, and pension are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(347,635.00)</u>
Net Position of Governmental Activities	<u>\$ 1,825,184.88</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, 2015

	<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	11,960.35		11,960.35
Penalties and Fines	400.00		400.00
Amount to be Raised by Taxation	435,000.00	125,000.00	560,000.00
Smoke Alarm Inspections	20,970.00		20,970.00
Investment Income	4,965.88		4,965.88
Permits	2,747.00		2,747.00
Insurance Reimbursements and Credits	21,145.66		21,145.66
Miscellaneous	92.44		92.44
	<u>500,609.83</u>	<u>125,000.00</u>	<u>625,609.83</u>
Total Revenues			
Expenditures:			
Operating Appropriations:			
Administration	134,099.99		134,099.99
Cost of Providing Services	278,799.68		278,799.68
Operating Appropriations Offset			
with Revenues	14,000.00		14,000.00
Length of Service Awards Program	18,000.00		18,000.00
	<u>444,899.67</u>	<u>-</u>	<u>444,899.67</u>
Total Expenditures			
Net Change in Fund Balance	55,710.16	125,000.00	180,710.16
Fund Balance - January 1 (Restated)	<u>293,877.63</u>	<u>913,849.06</u>	<u>1,207,726.69</u>
Fund Balance - December 31	<u>\$ 349,587.79</u>	<u>\$ 1,038,849.06</u>	<u>\$ 1,388,436.85</u>

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, 2015

Total Net Change in Fund Balances - Governmental Funds (B-2)	\$	180,710.16
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Amounts reported for governmental activities in the Statement  
of Activities (A-2) are different because:

Prepaid expenditures are reported in the governmental funds as expenditures.

However, in the Statement of Activities, the cost is expensed in the period  
benefited. Change in prepaid expenditures.

(613.58)

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

(91,661.11)

Depreciable Capital Outlays

-

In the statement of activities, certain operating expenses (e.g. compensated absences,  
interest on debt, and pension), are measured by the amounts incurred during the  
year. In the governmental funds, however, expenditures for these items are reported  
in the amount of financial resources used (paid). When the earned amount exceeds  
the paid amount, the difference is a reduction in the reconciliation (-); when the  
paid amount exceeds the earned amount, the difference is an addition to the  
reconciliation (+).

Pension Expense

(9,570.00)

Change in Net Position of Governmental Activities

\$ 78,865.47

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, 2015

	<u>Unemployment Compensation</u>	(Unaudited) <u>Length of Service Award Plan</u>
Assets:		
Cash	\$ 5,404.92	\$
Ac *	663.35	
Investments	_____	43,384.03
Total Assets	\$ 6,068.27	\$ 43,384.03
Liabilities and Net Position:		
Net Position:		
Held in Trust for Unemployment Claims	\$ 6,068.27	\$
Available for Benefits	_____	43,384.03
Total Net Position	\$ 6,068.27	\$ 43,384.03

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, 2015

	<u>Unemployment Compensation</u>	(Unaudited) <u>Length of Service Award Plan</u>
Additions:		
Investment Income:		
Interest	\$ 5.37	\$
Contributions:		
Fire District Contributions		7,500.00
Fire District Employees	<u>208.04</u>	<u>                    </u>
Total Additions	<u>213.41</u>	<u>7,500.00</u>
Deductions:		
Withdrawals		3,539.19
Administrative Expenses		450.00
Depreciation on Investments		<u>284.25</u>
Total Deductions		<u>4,273.44</u>
Change in Net Position	213.41	3,226.56
Net Position - Beginning of Year	<u>5,854.86</u>	<u>40,157.47</u>
Net Position - End of Year	<u>\$ 6,068.27</u>	<u>\$ 43,384.03</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, 2015**

**NOTE 1**    **DESCRIPTION OF REPORTING ENTITY**

Fire District No. 2 of the Township of Aberdeen (“District”) is a political subdivision of the Township of Aberdeen, County of Monmouth, New Jersey.

A Board of five Commissioners oversees all operations of the Fire District. The length of each Commissioner’s term is three years, with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire-fighting services to the residents within its territorial location.

GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14 and No. 39. In addition, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government’s management determines that it would be misleading to exclude them. As of December 31, 2015, it has been determined by the fire district that no component units exist.

**NOTE 2**    **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 more significant of the District’s accounting policies are described below.

A. Financial Statements:

Governmental-Wide Financial Statements

    The District’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These Statements report information on all of the non-fiduciary activities of the primary government.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. Financial Statements (continued):

Governmental-Wide Financial Statements (continued)

The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The statement of activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or section and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items that are not classified as program revenues are reported as general revenues.

The government wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. All of the District's assets and liabilities, including capital assets, and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period the liability is incurred.

Governmental Fund Financial Statements

The District's Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the Net Position presented in the Government-Wide financial statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. Financial Statements (continued):

Governmental Fund Financial Statements (continued)

The Governmental Funds are as follows:

General Fund - The General Fund is the General Operating fund of the District. All tax revenues are placed in the General Fund and regular operating expenses are charged here.

Capital Projects Fund - The Capital Projects Fund is used for the acquisition or construction of major capital assets. The financial resources are derived from the issuance of debt, by reservation of fund balances that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. Funds appropriated for capital projects included in the annual adopted budget are raised by taxation or are offset by fund balances appropriated and are transferred into the Capital Projects Fund. Additional financial resources may be derived from the sale of existing assets and interest received on the balance in the fund if so designated by the Board of Fire Commissioners.

Fiduciary Fund Financial Statements

Fiduciary Funds – The Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

B. Cash, Cash Equivalents and Investments

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

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey fire districts.

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

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Cash, Cash Equivalents and Investments (continued)**

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**C. Assessment and Collection of Property Tax**

Upon proper certification, pursuant to Section 9 of P.L. 1979, c. 453 (C. 40A:14-78.5), the assessor of the municipality in which the fire district is situated shall assess the amount to be raised by taxation to support the District budget against the taxable property therein, in the same manner as municipal taxes are assessed, and the said amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said District is situate, shall pay over all moneys so assessed to the treasurer or custodian of funds of said Fire District as follows: on or before April 1, an amount equalizing 21.25% of all monies so assessed; on or before July 1, an amount equaling 22.50% of all moneys so assessed; on or before October 1, an amount equaling 25.00% of all moneys so 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 such moneys previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such District.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire district moneys by which an amount greater than required on any of the first three payments cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required on any of the first three payment dates cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back, to such municipality, any funds or part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

- D. 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 \$5,000.00.

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

- E. Inventory Materials and Supplies - Purchase of materials and supplies are recorded as expenditures when they are acquired, regardless of when used.
- F. 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, 2015.

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.

G. Budgets/Budgetary Control

An annual budget is prepared each year for the operations of the District. The budget is approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budget is then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year. Formal budgetary integration into the accounting system is employed as a management control device during the year.

H. Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflow of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

H. Deferred Outflows and Deferred Inflows of Resources (continued)

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Fire District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Fire District’s proportion of expenses and liabilities to the pension as a whole, differences between the Fire District’s pension contribution and its proportionate share of contributions, and the Fire District’s pension contributions subsequent to the pension valuation measurement date.

- I. Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in excess of accounts payable in governmental funds, other than the special reserve fund, are reported as an assignment of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

- J. Long-Term Obligations - Long-term debt is recorded in the government-wide financial statements when incurred. Long-term debt is recognized in the governmental funds when due. For other long-term 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 debt related to such purchases.

- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

- L. Unrealized Gains and Losses - GASB has established GASB No. 31 which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2015, the District has no unrealized gains or losses.
- M. Restricted Assets - Certain assets are classified on the Statement of Net Position as restricted because their use is limited. Property taxes collected for capital acquisitions are legally restricted for that purpose. Dedicated penalties for firefighter training and equipment must be used only for firefighter training and/or new firefighting equipment.
- N. Program Revenues – Appropriations received from the Township of Aberdeen that offset the cost of providing services are recorded as program revenues in the Statement of Activities.
- O. Indirect Expense Allocation – Depreciation expense is allocated to the cost of providing services in the Statement of Activities.
- P. Fund Balance – The District classifies governmental fund balances as follows:

Governmental Fund Balances:

Generally, governmental fund balances represent the difference between the assets and liabilities under the current financial resources measurement focus of accounting. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

- Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the District Commissioners through the adoption of a resolution. Only the District Commissioners may modify or rescind the commitment.
- Assigned – Fund balances are reported as assigned when amounts are constrained by the District’s intent to be used for specific purposes. But are neither restricted nor committed.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

P. Fund Balance (continued)

Governmental Fund Balances (continued):

- Unassigned – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all other funds.

Fund Balance Flow Assumptions:

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the district's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: committed, assigned, then unassigned.

Net Position:

Equity for government-wide financial statements is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above.
3. Unrestricted net position – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Q. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Fire District adopted GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Fire District was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled \$(307,658.00), and was recognized as a restatement of the Fire District's December 31, 2014 net position on the statement of activities (see note 13).

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement will have an impact on the financial statements.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Q. Impact of Recently Issued Accounting Principles (continued)

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the Fire District for the year ending December 31, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Plans Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Fire District for the year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the Fire District for the year ending December 31, 2017. Management does not expect this Statement will have an impact on the notes to the financial statements.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Q. Impact of Recently Issued Accounting Principles (continued)

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement have an impact on the financial statements.

**NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS**

Deposits

At December 31, 2015, the District's deposits had a carrying amount of \$1,474,246.49.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. Although the District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholding, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

Custodial Credit Risk Related to Deposits (continued)

As of December 31, 2015, the District's bank balances of \$1,475,044.49 were exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	-
Insured		1,475,044.49
Total	\$	1,475,044.49

B. Investments

As of December 31, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Book Value</u>
LOSAP Fund:		
LOSAP	\$ <u>43,384.03</u>	\$ <u>43,384.03</u>

The fair value of the above listed investments was based on quoted market price.

Interest Rate Risk

LOSAP investment options are at the discretion of each individual participant and not the District.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the District.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 4 CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended December 31, 2015, was as follows:

	Balance Dec. 31, 2014	Additions	Retirements	Balance Dec. 31, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 58,500.00	\$ -	\$ -	\$ 58,500.00
Capital Assets Being Depreciated:				
Buildings and Building Improvements	833,061.00	-	-	833,061.00
Vehicles	1,556,205.45	-	-	1,556,205.45
Total	2,447,766.45	-	-	2,447,766.45
Less: Accumulated Depreciation	(1,617,836.23)	(91,661.11)	-	(1,709,497.34)
Government Activity Capital Assets, Net	<u>\$ 829,930.22</u>	<u>\$ (91,661.11)</u>	<u>\$ -</u>	<u>\$ 738,269.11</u>

**NOTE 5 LONG-TERM LIABILITIES**

During the year ended December 31, 2015, the following changes occurred in long term liabilities for governmental activities:

	Balance Dec. 31, 2014	Additions	Deductions	Balance Dec. 31, 2015	Due Within One Year
Net Pension Liability	\$ 243,214.00	\$ 117,735.00	\$ 13,314.00	\$ 347,635.00	\$ -
	<u>\$ 243,214.00</u>	<u>\$ 117,735.00</u>	<u>\$ 13,314.00</u>	<u>\$ 347,635.00</u>	<u>\$ -</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6 PENSIONS AND RETIREMENT PLANS**

Plan Description

The Fire District contributes to the Public Employees' Retirement System (PERS) a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January 1, 1955 under the provisions of N.J.S.A. 43:15A. The Public Employees' Retirement System issues publicly available financial reports that include financial statements and required supplementary information which can be found at [www.state.nj.us/treasury/pensions/annrprts/shtml](http://www.state.nj.us/treasury/pensions/annrprts/shtml). The PERS's Board of Trustees have primary responsibility for administration of the plan.

PERS Vesting and Benefit Provisions

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier one and two before reaching age 60, tier 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member 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 retirements age for the respective tier.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)**

Contributions

Public Employees Retirement System -The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by all active members and contributing employers. Members contribute at a uniform rate. Member contributions are currently 7.06%. Under the provisions of Chapter 78, P.L. 2011, pension contribution rates for PERS members increased effective July 1, 2015 from 6.92% to 7.06%. The contribution rate will increase by 0.14% each year on July 1 until July 1, 2017 and increase 0.16% on July 1, 2018 when the rate will be 7.50%. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

The Fire District's contractually required contribution rate for the year ended December 31, 2015 was 11.66% of the Fire District's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2015, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2015 is \$13,314 and is payable by April 1, 2016. Based on the PERS measurement date of June 30, 2014, the Fire District's contractually required contribution to the pension plan was \$10,709 and was paid in 2015. Employee contributions to the plan for the year ended December 31, 2015 were \$7,984.26.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System – At December 31, 2015, the Fire District's proportionate share of the PERS net pension liability was \$347,635. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the Fire District's proportion was .0015486225%, which was an increase of .0062495944% from its proportion measured as of June 30, 2014.

At December 31, 2015, the Fire District's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2015 measurement date was \$20,279.00.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6      PENSIONS AND RETIREMENT PLANS (continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2015, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>PERS</u>	<u>PERS</u>
Differences between Expected and Actual Experience	\$        8,293.00	
Changes of Assumptions	37,333.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		\$        5,589.00
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	39,646.00	48,511.00
Fire District Contributions Subsequent to the Measurement Date	6,657.00	
	\$        91,929.00	\$        54,100.00

\$6,657.00 for PERS included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2016. These amounts were based on an estimated April 1, 2017 contractually required contribution, prorated from the pension plans measurement date of June 30, 2015 to the Fire District's year end of December 31, 2015.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The Fire District will amortize the other deferred outflows of resources and deferred inflows of resources related to pension over the following number of years:

	PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
Changes in Proportion and Diffences between Fire District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

Year Ending <u>Dec 31,</u>	<u>PERS</u>
2016	\$ 4,921.00
2017	4,921.00
2018	4,923.00
2019	8,542.00
2020	<u>7,865.00</u>
	<u>\$ 31,172.00</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)**

Actuarial assumptions

PERS

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)**

Actuarial assumptions (continued)

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in both the PERS's and PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 6 PENSION PLANS (continued)**

Actuarial assumptions (continued)

Discount rate

PERS

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Fire District's proportionate share of the net pension liability to changes in the discount rate.

PERS

The following presents the Fire District's proportionate share of the net pension liability calculated using the discount rate of 4.90 percent, as well as what the Fire District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90 percent) or 1 percentage point higher (5.90 percent) than the current rate.

	1% Decrease <u>(3.90%)</u>	Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Fire District's proportionate share of the net pension liability	\$432,067	\$347,635	\$276,847

Pension Plan Fiduciary Net Position

Detailed information about the pension plans fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**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. Each Fire District raises money in its annual budget for the Fund. The records of the Joint Fire District Training Ground Fund are maintained by District No. 1. Aberdeen Fire District No. 2 has contributed \$5,000.00 per year for the years 2003-2015.

**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 fire fighters and first aid squad members who are eligible to participate. The balance at December 31, 2014 was \$37,500.00. The 2015 budget charge to fund the LOSAP was \$18,000.00 and \$7,500.00 was contributed for 2015. The balance of \$48,000.00 is shown as a contingent liability in the financial statements. The amount of the contribution at year end 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.

**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 2015, 2014 and 2013.

**NOTE 10 FUND BALANCE APPROPRIATED**

General Fund - Of the \$349,587.79 General Fund fund balance at December 31, 2015, \$70,151.00 has been appropriated and included as anticipated revenue for the year 2016, \$25,174.97 is restricted for Firefighter Training and Equipment – Dedicated Penalties and \$254,261.82 is unassigned.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 10 FUND BALANCE APPROPRIATED (continued)**

Capital Projects Fund - Capital Projects Fund fund balance of \$1,038,849.06 at December 31, 2015 is restricted as follows:

a) Purchase of a pumper truck	\$ 796.00
b) Purchase of a heavy duty electric generator for the Cliffwood Fire House	114,951.50
c) Building Improvements	175,000.00
d) Capital Projects to be determined in future years	<u>748,101.56</u>
	<b>\$ <u>1,038,849.06</u></b>

**NOTE 11 CONTINGENT LIABILITIES**

Litigation

The District is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, District's management, based upon the opinion of the District's attorney, presently believe that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material effect on the district's financial position.

**NOTE 12 SUBSEQUENT EVENTS**

Management has evaluated subsequent events occurring after December 31, 2015 through the date of December 2, 2016, which is the date the financial statements were available to be issued.

**NOTE 13 RESTATEMENT OF PRIOR PERIOD NET POSITION**

As indicated in note 1 to the financial statements, the Fire District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, for the year ended December 31, 2015. As a result of implementing these two Statements, a restatement of unrestricted net position on the government-wide statement of activities was required to record the Fire District's proportionate share of its net pension liability. The cumulative effect on the government-wide financial statements as reported for December 31, 2014 is as follows:

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 13 RESTATEMENT OF PRIOR PERIOD NET POSITION (continued)**

Beginning Net Position as Previously Reported at December 31, 2014		\$ 2,066,526.41
Prior Period Adjustment - Implementation of GASBS No. 68 and No. 71:		
Net Pension Liability at June 30, 2014 Measurement Date	\$ (243,214.00)	
Deferred Outflows of Resources per June 30, 2014 Pension Plan Reports	7,648.00	
Deferred Outflows of Resources resulting from Fire District Contribution Subsequent to June 30, 2014 Pension Plan Measurement Date	6,657.00	
Accounts Payable resulting from Fire District Contributions Recorded by Pension Plans as Accounts Receivable at June 31, 2014	(10,709.00)	
Accrued Expense resulting from Fire District Contribution Subsequent to June 30, 2014 Pension Plan Measurement Date	(6,657.00)	
Deferred Inflows of Resources per June 30, 2014 Pension Plan Reports	<u>(73,932.00)</u>	
Total Prior Period Adjustment		<u>(320,207.00)</u>
Net Position as Restated, December 31, 2014		<u><u>\$ 1,746,319.41</u></u>

REQUIRED SUPPLEMENTARY INFORMATION  
PART II

BUDGETARY SCHEDULES

**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, 2015

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Final To Actual
Fund Balance Utilized:				
Unrestricted Fund Balance	\$ 67,195.00	\$ 67,195.00	\$ 67,195.00	\$
Revenues:				
Supplemental Fire Services Grant	3,328.00	3,328.00	3,328.50	0.50
Uniform Fire Safety Act:				
Annual Registration Fees	14,000.00	14,000.00	11,960.35	(2,039.65)
Penalties and Fines			400.00	400.00
Amount to be Raised by Taxation	435,000.00	435,000.00	435,000.00	
Smoke Alarm Inspections	5,500.00	5,500.00	20,970.00	15,470.00
Interest Income			4,965.88	4,965.88
Permits			2,747.00	2,747.00
Insurance Reimbursements and Credits			21,145.66	21,145.66
Miscellaneous Income			92.44	92.44
Total Revenues	<u>457,828.00</u>	<u>457,828.00</u>	<u>500,609.83</u>	<u>42,781.83</u>
 Total Revenues	 <u>525,023.00</u>	 <u>525,023.00</u>	 <u>567,804.83</u>	 <u>42,781.83</u>
Expenditures:				
Administration:				
Salaries and wages	51,223.00	51,223.00	51,223.00	
Salaries and wages-Commissioners	41,250.00	41,250.00	41,250.00	
Fringe benefits	14,824.00	14,824.00	11,572.19	3,251.81
Election	2,500.00	2,500.00	2,277.75	222.25
Office Expenses and Maintenance	15,700.00	15,700.00	8,327.05	7,372.95
Professional Services	20,000.00	20,000.00	19,450.00	550.00
Office Equipment	2,500.00	2,500.00		2,500.00
Total Administration	<u>147,997.00</u>	<u>147,997.00</u>	<u>134,099.99</u>	<u>13,897.01</u>

**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, 2015

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Final To Actual
Cost of Providing Services:				
Salaries and Wages	\$ 54,000.00	\$ 54,000.00	\$ 54,000.00	\$
Fringe Benefits	40,176.00	52,176.00	47,357.18	4,818.82
Advertising	1,000.00	1,000.00	111.25	888.75
Insurance	70,000.00	58,000.00	37,432.63	20,567.37
Maintenance & Repairs	60,750.00	55,750.00	51,063.11	4,686.89
Membership/Dues	600.00	600.00	505.00	95.00
Uniforms	28,000.00	28,000.00	19,767.00	8,233.00
Utilities	20,000.00	20,000.00	10,918.28	9,081.72
Gasoline	6,000.00	6,000.00	2,312.20	3,687.80
Joint Purchase Agreement	5,000.00	5,000.00	5,000.00	
Bureau of Fire Prevention	6,000.00	6,000.00	3,190.00	2,810.00
BFP Operations	12,000.00	12,000.00	8,906.65	3,093.35
Other Assets - Non Bondable:				
Radio Equipment	1,500.00	1,500.00	985.00	515.00
Fire Fighting Equipment	40,000.00	45,000.00	37,251.38	7,748.62
Total Cost of Providing Services	<u>345,026.00</u>	<u>345,026.00</u>	<u>278,799.68</u>	<u>66,226.32</u>
Operating Appropriations Offset with Revenues:				
Salaries and Wages	<u>14,000.00</u>	<u>14,000.00</u>	<u>14,000.00</u>	
Total Operating Appropriations Offset with Revenues	<u>14,000.00</u>	<u>14,000.00</u>	<u>14,000.00</u>	
Length of Service Awards Program	<u>18,000.00</u>	<u>18,000.00</u>	<u>18,000.00</u>	
Total Expenditures	<u>525,023.00</u>	<u>525,023.00</u>	<u>444,899.67</u>	<u>80,123.33</u>
Excess of Revenues Over/(Under) Expenditures			122,905.16	122,905.16
Prior Year Encumbrances Cancelled				
Fund Balance, January 1 (Restated)	<u>293,877.63</u>	<u>293,877.63</u>	<u>293,877.63</u>	
	293,877.63	293,877.63	416,782.79	122,905.16
Less: Fund Balance Utilized	<u>(67,195.00)</u>	<u>(67,195.00)</u>	<u>(67,195.00)</u>	
Fund Balance, December 31 (Budgetary Basis)	<u>\$ 226,682.63</u>	<u>\$ 226,682.63</u>	<u>\$ 349,587.79</u>	<u>\$ 122,905.16</u>

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

BUDGET -to- GAAP RECONCILIATION

For the Year Ended December 31, 2015

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

	<u>General Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (C-1)	\$ 567,804.83
Differences - budget to GAAP:	
The fund balance appropriated is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(67,195.00)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	
	<u>\$ 500,609.83</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (C-1)	\$ 446,265.87
Differences - budget to GAAP:	
Encumbrances for supplies, equipment and services ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies, equipment or service is received for financial reporting purposes - net change in encumbrances	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	
	<u>\$ 446,265.87</u>

REQUIRED SUPPLEMENTARY INFORMATION  
PART III

SCHEDULES RELATED TO ACCOUNTING  
AND REPORTING FOR PENSIONS

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH, NEW JERSEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE FIRE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)  
LAST THREE YEARS

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0015486225%	0.0012990281%	0.0016671985%
Fire District's Proportionate Share of the Net Pension Liability	\$ 347,635.00	\$ 243,214.00	\$ 318,635.00
Fire District's Covered - Employee Payroll	\$ 106,816.00	\$ 157,324.00	\$ 115,000.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll	325.45%	154.59%	277.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

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*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH, NEW JERSEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE FIRE DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)  
LAST THREE YEARS

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 13,314.00	\$ 10,709.00	\$ 12,562.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(13,314.00)</u>	<u>(10,709.00)</u>	<u>(12,562.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered - Employee Payroll	\$ 114,224.00	\$ 106,816.00	\$ 130,778.00
Fire District's Contribution as a Percentage of Covered - Employee Payroll	11.66%	10.03%	9.61%

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*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH, NEW JERSEY  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.  
The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

OTHER SUPPLEMENTARY INFORMATION

**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, 2015

<u>Issue/Project Title</u>	<u>Date Authorized</u>	<u>Appropriation</u>	<u>Balance Dec. 31, 2014</u>	<u>Increases</u>	<u>Expenditures</u>	<u>Balance Dec. 31, 2015</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 12/01/2014	125,000.00 50,000.00	125,000.00	50,000.00	-	175,000.00
Capital Projects to be Determined in Future Years	N/A	<u>N/A</u>	<u>673,101.56</u>	<u>75,000.00</u>	<u>-</u>	<u>748,101.56</u>
		<u>\$ 450,000.00</u>	<u>\$ 913,849.06</u>	<u>\$ 125,000.00</u>	<u>\$ -</u>	<u>\$ 1,038,849.06</u>
Tax Levy				<u>\$ 125,000.00</u>		
				<u>\$ 125,000.00</u>		

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
COUNTY OF MONMOUTH**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
Year Ended December 31, 2015**

Other Matters

Purchasing

\* Finding 2015-1:

**Comment:** The District does not have a purchasing policies and procedures manual. Purchase orders were not always utilized.

**Recommendation:** That the District adopt and adhere to a purchasing policies and procedures manual that includes state requirements.

\* Similar to prior year.