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**LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND 2016**

REMARKS:

	Report To Be Dated	7/17/2018
Account to Be Charged	Required Delivery Date	ASAP

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**LENGTH OF SERVICE
AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2

TABLE OF CONTENTS

	<u>Page</u>
Accountant's Review Report	1
Statement of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available For Benefits	3
Notes to Financial Statements	4-7



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Program Sponsor of the Township of Lower Fire District #2
Length of Service Award Program (LOSAP)

We have reviewed the accompanying statements of net assets available for program benefits of the Township of Lower Fire District #2 Length of Service Award Program (LOSAP) as of December 31, 2017 and 2016, and the related statement of changes in net assets available for program benefits for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the plan administrator. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The plan administrator is responsible for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Leon P. Costello

Leon P. Costello

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 17, 2018

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31,

ASSETS	<u>2017</u>	<u>2016</u>
Investments		
Mutual Funds	\$ 478,796.86	\$ 439,604.36
Employer Contributions Receivable	<u>20,000.00</u>	<u>18,000.00</u>
Total Assets	<u>\$ 498,796.86</u>	<u>\$ 457,604.36</u>
LIABILITIES AND NET ASSETS		
Net Assets Available for Benefits	<u>\$ 498,796.86</u>	<u>\$ 457,604.36</u>
Total Liabilities and Net Assets	<u>\$ 498,796.86</u>	<u>\$ 457,604.36</u>

See accompanying notes and accountant's review report

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>
ADDITIONS		
Additions to net assets attributed to:		
Investment Income		
Net appreciation		
of fair market value of investments	\$ 60,913.23	\$ 28,080.86
District Contributions	<u>20,000.00</u>	<u>18,000.00</u>
TOTAL ADDITIONS	<u>80,913.23</u>	<u>46,080.86</u>
DEDUCTIONS		
Deductions from net assets attributable to:		
Benefits paid to participants	38,095.73	8,320.58
Administrative fee	<u>1,625.00</u>	<u>1,625.00</u>
TOTAL DEDUCTIONS	<u>39,720.73</u>	<u>9,945.58</u>
NET INCREASE	41,192.50	36,135.28
NET ASSETS AVAILABLE FOR BENEFITS		
BEGINNING OF YEAR	<u>457,604.36</u>	<u>421,469.08</u>
END OF YEAR	<u><u>\$ 498,796.86</u></u>	<u><u>\$ 457,604.36</u></u>

See accompanying notes and accountant's review report

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - DESCRIPTION OF PROGRAM

The following description of the Length of Service Award Program (LOSAP) of the Township of Lower Fire District #2 provides only general information. Participants should refer to the Program agreement for a more complete description of the Program's provisions. The Township of Lower Fire District #2 is the Program sponsor.

General - The Program is a defined contribution Program covering volunteers in the Township of Lower Volunteer Fire Company #2 who have performed sufficient services to earn "points" as defined in a resolution adopted by the Township of Lower in 2000 and approved by the voters of the Township of Lower Fire District #2 by referendum at the election in February of 2001.

Contributions - The Fire District contribution on behalf of a participant is \$1,000.00 during both 2017 and 2016 for regular annual service.

Participant Accounts - Each participant's account reflects the total amount of contributions that are allocated to the account and the earnings thereon, any payments or withdrawals on the participant's behalf from the account and any expenses. Under the enabling legislation, the amount in each participants account is subject to the general creditors of the Fire District.

Vesting - Participants are 100% vested after 5 years of service. If a participant is deceased prior to 5 years of service, the full amount of the volunteer's account will be considered vested and will be paid to the estate of the participant.

Participant Loans - Loans are not permitted under the Program.

Payment of Benefits - A fully taxable distribution may be made at any time for the full amount of the participant's vested interest in his or her account.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Program administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fees and Costs

The program participants pay all fees and costs related to administration of the Program.

Employer Contributions

All employer contributions are paid to Lincoln Financial Group within a reasonable time in the year subsequent to the year in which the required points have been earned and certified by the chief of the fire company as applicable.

Contributions Receivable

As set forth in the ordinance adopted by the Board of Fire Commissioners, the Plan Sponsor is obligated to make contributions for participants in the plan who meet the service requirements in any qualifying year.

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 3 - INVESTMENTS

An investment agreement was entered into at the inception of the plan between the Fire District and Lincoln Financial Group, whereby Lincoln Financial Group would have custody of the securities of the plan and also advises the Fire District as to investment alternatives.

The investment options consist of stocks, bonds, and money market investments. Each participant may choose his/her allocation from among these investments. The investments are made by Lincoln Financial Group for benefit of plan participants. The investments are valued at fair value at the end of each year and the increase/decrease is posted to the individual's account.

As of December 31, 2017, the value of the plan's investments was \$478,796.86. As of December 31, 2016, the value of the plan's investments was \$439,604.36.

The following investments represent 5% or more of the net assets available for benefits:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Fixed	\$ 174,652.68	\$ 169,963.01
American Funds Growth Fund	43,986.70	37,158.52
LVIP SSgA S&P 500 Index Fund	181,933.75	156,375.60
Other	78,223.73	76,107.23
	<u>\$ 478,796.86</u>	<u>\$ 439,604.36</u>

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the entity will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2017 and 2016, the plan had invested \$478,796.86 and \$439,604.36, respectively, of various securities held by the investment's counterparty, not in the name of the plan.

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Plan's investments are reported at fair value in the accompanying Statement of Net Assets Available for Benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective future values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

			Fair Value
			Measurements Using:
			Significant Other
			Observable Inputs
December 31, 2017	Fair Value		(Level 1)
Mutual Funds	\$ 478,796.86	\$	478,796.86
Total	\$ 478,796.86	\$	478,796.86
December 31, 2016			
Mutual Funds	439,604.36	\$	439,604.36
Total	439,604.36	\$	439,604.36

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence for fair value. No Level 2 or 3 inputs were available to Length of Service Award Program (LOSAP) of the Township of Lower Fire District #2 in the year ended December 31, 2017 and 2016.

Level 1: Fair Value Measurements

The fair value of the equity securities is based on the actual market value held by Length of Service Award Program (LOSAP) of the Township of Lower Fire District #2 at year-end.

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
TOWNSHIP OF LOWER FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5 - PARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to the participant-directed investments is as follows:

		December 31,	December 31,
Change in Net Assets:		2017	2016
Contributions	\$	20,000.00	18,000.00
Administration Expenses		(1,625.00)	(1,625.00)
Benefits Paid to Participants		(38,095.73)	(8,320.58)
Investment Income		60,913.23	28,080.86
	\$	41,192.50	36,135.28

NOTE 6 - PROGRAM TERMINATION

The Fire District Resolution and the enabling legislation do not have any provisions for program termination.

NOTE 7 - TAX STATUS

The LOSAP was established as a Deferred Compensation Plan pursuant to Section 457 of the Internal Revenue Code (IRC) of 1986, as amended, except for specific provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document.

Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Township of Lower Fire District #2 subject only to the claims of the District's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the District, and each participant's rights are equal to his or her share of the fair market value of the plan assets.

NOTE 8 - SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from December 31, 2017 through July 17, 2018, the date that the financial statements were available to be issued, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Fire District that would require disclosure.



FORD - SCOTT

& ASSOCIATES, L.L.C.

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July 17, 2018

State of New Jersey
Department of Community Affairs
Division of Local Government Services
PO Box 803
Trenton, NJ 08625-0258

Gentlemen:

This is to certify that the within review report is a true and exact copy of that furnished the Township of Lower Fire District #2 LOSAP, County of Cape May.

I further certify that the original review report dated July 17, 2018, was filed with the Fire District.

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

Enclosures