

LOWER TOWNSHIP FIRE DISTRICT #2

**LENGTH OF SERVICE AWARD PROGRAM
(LOSAP)**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

**Lower Township Fire District #2
Length of Service Awards Program (LOSAP)
For the Years Ended December 31, 2022 and 2021**

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Independent Accountant's Review Report

To the Board of Commissioners
Lower Township Fire District #2
North Cape May, NJ 08204

We have reviewed the accompanying financial statements of the Lower Township Fire District #2 Length of Service Award Program (LOSAP), which comprise the statement of net assets available for benefits as of December 31, 2022 and 2021, and the related statements of changes in net assets available for benefits for the years then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to plan management's financial data and making inquiries of plan management. 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.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Lower Township Fire District #2 Length of Service Award Program and to meet our ethical responsibilities, in accordance with relevant ethical requirements related to our review.

Accountant's Conclusion

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.

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

August 7, 2023

FINANCIAL STATEMENTS

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**Lower Township Fire District #2
Length of Service Award Program (LOSAP)
Statement of Net Assets Available for Benefits
Year Ended December 31,**

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| <u>Assets</u> | | |
| Investments | | |
| Mutual Funds | \$ 552,891.36 | \$ 652,799.56 |
| Total Investments | <u>552,891.36</u> | <u>652,799.56</u> |
| Employer Contributions Receivable | 27,060.00 | 15,000.00 |
| Total Assets | <u><u>579,951.36</u></u> | <u><u>667,799.56</u></u> |
| <u>Liabilities and Net Assets</u> | | |
| Net Assets Available for Benefits | 579,951.36 | 667,799.56 |
| Total Liabilities and Net Assets | <u><u>\$ 579,951.36</u></u> | <u><u>\$ 667,799.56</u></u> |

See accompanying Notes and Accountant's Review Report

**Lower Township Fire District #2
Length of Service Award Program (LOSAP)
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31,**

| | 2022 | 2021 |
|--|---------------|---------------|
| <u>Additions</u> | | |
| Additions to net assets attributed to: | | |
| Investment Income | | |
| Net appreciation of fair market value of investments | \$ 0.00 | \$ 98,616.81 |
| District Contributions | 27,060.00 | 15,000.00 |
| Total Additions | 27,060.00 | 113,616.81 |
| <u>Deductions</u> | | |
| Deductions from net assets attributable to: | | |
| Benefits paid to participants | 14,424.96 | 0.00 |
| Adjustment to Beginning Balance | 0.02 | 0.07 |
| Net depreciation | 99,483.22 | 0.00 |
| Administrative fee | 1,000.00 | 975.00 |
| Total Deductions | 114,908.20 | 975.07 |
| Net Increase / (Decrease) | (87,848.20) | 112,641.74 |
| <u>Net Assets Available for Benefits</u> | | |
| Net Assets, Beginning | 667,799.56 | 555,157.82 |
| Net Assets, Ending | \$ 579,951.36 | \$ 667,799.56 |

See accompanying Notes and Accountant's Review Report

NOTES TO THE FINANCIAL STATEMENTS

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**Lower Township Fire District #2
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
December 31, 2022 and 2021**

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 was \$1,804.00 during 2022 and \$1,000.00 during 2021 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 participant's 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.

**Lower Township Fire District #2
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
December 31, 2022 and 2021**

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, 2022, the value of the plan's investments was \$552,891.36. As of December 31, 2021, the value of the plan's investments was \$652,799.56.

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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------------|--------------------------|--------------------------|
| American Funds Growth | \$ 72,948.79 | \$ 104,562.72 |
| Fixed Account | 162,443.21 | 156,822.54 |
| LVIP Dimensional U.S. Core Equity 1 | 37,510.46 | 43,479.62 |
| LVIP SSGA S&P 500 Index | 212,620.46 | 266,765.12 |
| Other | 67,368.44 | 81,169.56 |
| | <u>\$ 552,891.36</u> | <u>\$ 652,799.56</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, 2022 and 2021, the plan had invested \$552,891.36 and \$652,799.56, respectively, of various securities held by the investment's counterparty, not in the name of the plan.

**Lower Township Fire District #2
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
December 31, 2022 and 2021**

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.

| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> |
|-------------------|-------------------|---|
| December 31, 2022 | | |
| Mutual Funds | \$ 552,891.36 | \$ 552,891.36 |
| Total | <u>552,891.36</u> | <u>552,891.36</u> |
| December 31, 2021 | | |
| Mutual Funds | \$ 652,799.56 | \$ 652,799.56 |
| Total | <u>652,799.56</u> | <u>652,799.56</u> |

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, 2022 and 2021.

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Fair Value Measurements

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities to active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quotes prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other names.

If the asset or liability has a specified contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Lower Township Fire District #2
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
December 31, 2022 and 2021**

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

Money Market Fund and Mutual Funds: valued at the net asset value (NAV) of shares held by the plan at year-end.

Fixed Account Investment Contract: valued at the contract's market value as reported by the insurance company.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

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, 2022 | December 31, 2021 |
|-------------------------------|-----------------------|----------------------|
| Change in Net Assets: | | |
| Contributions | \$ 27,060.00 | \$ 15,000.00 |
| Administration Expenses | (1,000.00) | (975.00) |
| Benefits Paid to Participants | (14,424.96) | - |
| Adj to Beginning Balance | (0.02) | (0.07) |
| Investment Income | (99,483.22) | 98,616.81 |
| | <u>\$ (87,848.20)</u> | <u>\$ 112,641.74</u> |

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.

**Lower Township Fire District #2
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
December 31, 2022 and 2021**

NOTE 8 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from December 31, 2022 through August 7, 2023, 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.