

LOWER TOWNSHIP FIRE DISTRICT #3
LENGTH OF SERVICE AWARDS PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(See accountant's review report)

LOWER TOWNSHIP FIRE DISTRICT #3
LENGTH OF SERVICE AWARDS PROGRAM
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	<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



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAYEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Commissioners
Township of Lower Fire District #3
Erma, New Jersey 08204

We have reviewed the accompanying statement of net assets available for benefits for the Lower Township Fire District #3, Length of Service Awards Program as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the fiscal year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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 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.

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

Glen J. Ortman

Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

July 30, 2014

LOWER TOWNSHIP FIRE DISTRICT #3
LENGTH OF SERVICE AWARDS PROGRAM
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2013 AND 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Investments		
Mutual Funds	\$ 329,678.61	\$ 278,181.77
Employer Contributions Receivable	<u>29,736.00</u>	<u>27,591.00</u>
Total Assets	<u>\$ 359,414.61</u>	<u>\$ 305,772.77</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Net Assets Available for Program Benefits	<u>\$ 359,414.61</u>	<u>\$ 305,772.77</u>
Total Liabilities and Net Assets	<u>\$ 359,414.61</u>	<u>\$ 305,772.77</u>

LOWER TOWNSHIP FIRE DISTRICT #3
LENGTH OF SERVICE AWARDS PROGRAM
STATEMENT OF CHANGES OF NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

<u>Additions</u>	<u>2013</u>	<u>2012</u>
Additions to Net Assets Attributed to:		
Investment Income		
Net appreciation		
of fair market value of investments	\$ 29,455.84	\$ 15,470.73
District Contributions	\$ 29,736.00	\$ 27,591.00
Total Additions	<u>\$ 59,191.84</u>	<u>\$ 43,061.73</u>
<u>Deductions</u>		
Decreases from Net Assets Attributed to:		
Benefits Paid to Participants	\$ 4,800.00	\$ 33,383.64
Fees	750.00	800.00
Total Deductions	<u>5,550.00</u>	<u>34,183.64</u>
Net Addition	53,641.84	8,878.09
Net Assets, Beginning	<u>305,772.77</u>	<u>\$ 296,894.68</u>
Net Assets, Ending	<u>\$ 359,414.61</u>	<u>\$ 305,772.77</u>

LOWER TOWNSHIP FIRE DISTRICT #3
LENGTH OF SERVICE AWARDS PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

NOTE 1: DESCRIPTION OF THE PLAN

The following description of the Length of Service Award Program (LOSAP) of the Township of Lower Fire District #3 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 #3 is the Program sponsor.

General - The Program is a defined contribution Program covering volunteers in the Township of Lower Volunteer Fire Company #3 who have performed sufficient services to earn "points" as defined in an resolution adopted by the Township of Lower in 2000 and approved by the voters of the Township of Lower Fire District #3 by referendum at the election in February of 2001.

Contributions - The Fire District contribution on behalf of a participant is \$1,652.00 and \$1,623.00 during 2013 and 2012, respectively, 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.

Participant Loans - Loans are not permitted under the Program.

NOTE 2: VESTING AND BENEFIT PROVISIONS

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.

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 3: DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of pension and other employee benefit trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and deductions are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows.

Assets and Net Assets

Investments

Investments are reported at Fair value.

Contribution 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 #3
LENGTH OF SERVICE AWARDS PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

NOTE 3: DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

The difference between plan assets and plan liabilities is reported as *net assets available for benefits*.

NOTE 4: 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, 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, 2013, the value of the plan's investments was \$329,678.61. As of December 31, 2012, the value of the plan's investments was \$278,181.77.

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

	<u>December 31, 2013</u>		<u>December 31, 2012</u>
DWS Equity 500 Index VIP Portfolio	\$ -	\$	37,230.69
Fixed	189,066.56		173,721.50
MFS VIT Utilities Series	25,841.79		19,643.96
Other	114,770.26		47,585.62
	<u>\$ 329,678.61</u>	\$	<u>278,181.77</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, 2013 and 2012, the plan had invested \$329,678.61 and \$278,181.77, respectively, of various securities held by the investment's counterparty, not in the name of the plan.

NOTE 5: FAIR MARKET VALUE

The Plan's investments are reported at fair value in the accompanying Statement of Net Assets Available for Program 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.

LOWER TOWNSHIP FIRE DISTRICT #3
LENGTH OF SERVICE AWARDS PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

NOTE 5: FAIR VALUE MEASUREMENTS - CONTINUED

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using: Significant Other Observable Inputs (Level 1)</u>
Mutual Funds	\$ <u>329,678.61</u>	\$ <u>329,678.61</u>
Total	\$ <u><u>329,678.61</u></u>	\$ <u><u>329,678.61</u></u>
 <u>December 31, 2012</u>		
Mutual Funds	\$ <u>278,181.77</u>	\$ <u>278,181.77</u>
Total	\$ <u><u>278,181.77</u></u>	\$ <u><u>278,181.77</u></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 #3 in years ended December 31, 2013 and 2012.

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 #3 at year-end

NOTE 6: 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 #3 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 #3
LENGTH OF SERVICE AWARDS PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

NOTE 7: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from December 31, 2013 through July 30, 2014, 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.