



LOWER TOWNSHIP FIRE DISTRICT #3

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**Lower Township Fire District #3
Length of Service Award Program (LOSAP)**

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

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, 2022 and 2021, the related statement of changes in net assets available for benefits for the fiscal year then ended and the related notes to the financial statements. 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's Responsibility for the Financial Statements

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 #3 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 accordance 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

June 13, 2023

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FINANCIAL STATEMENTS

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**Lower Township Fire District #3
Length of Service Award Program (LOSAP)
Statement of Net Assets Available for Benefits
Years Ended December 31,**

	2022	2021
<u>Assets</u>		
Investments		
Fixed Account	\$ 189,532.26	187,173.58
Mutual Funds	322,473.07	383,776.96
Total Investments	512,005.33	570,950.54
Employer Contributions Receivable	25,168.00	27,060.00
Total Assets	537,173.33	598,010.54
<u>Liabilities and Net Assets</u>		
Net Assets Available for Benefits	537,173.33	598,010.54
Total Liabilities and Net Assets	\$ 537,173.33	598,010.54

See accompanying Notes and Independent Accountant's Review Report

**Lower Township Fire District #3
Length of Service Award Program (LOSAP)
Statement of Changes in Net Assets Available for Benefits
Years Ended December 31,**

	2022	2021
<u>Additions</u>		
Additions to net assets attributed to:		
Investment Income		
Net appreciation of fair market value of investments	\$ -	64,862.17
Adjustment to Beginning Balance		0.03
District Contributions	25,168.00	27,060.00
Total Additions	25,168.00	91,922.20
<u>Deductions</u>		
Deductions from net assets attributable to:		
Benefits paid to participants	15,996.98	-
Net depreciation of fair market value of investments	69,258.23	-
Administrative fee	750.00	650.00
Total Deductions	86,005.21	650.00
Net Increase / (Decrease)	(60,837.21)	91,272.20
<u>Net Assets Available for Benefits</u>		
Net Assets, Beginning	598,010.54	506,738.34
Net Assets, Ending	\$ 537,173.33	598,010.54

See accompanying Notes and Independent Account's Review Report

NOTES TO THE FINANCIAL STATEMENTS

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**Lower Township Fire District #3
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021**

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 \$1,936 and \$1,804 during 2022 and 2021, 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.

**Lower Township Fire District #3
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021**

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.

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, 2022, the value of the plan's investments was \$512,005.33. As of December 31, 2021, the value of the plan's investments was \$570,950.54.

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

	Value at December 31, 2022	Value at December 31, 2021
American Funds Global Growth	\$ 51,613.64	67,612.96
Fixed Account	189,532.26	187,173.58
LVIP Baron Growth Opportunities	25,920.26	35,319.60
LVIP SSGA S&P 500 Index	110,697.18	129,850.49
MFS Utilities	38,138.61	37,360.35
Other	96,103.38	113,633.56
	<u>\$ 512,005.33</u>	<u>\$ 570,950.54</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 \$512,005.33 and \$570,950.54, respectively, of various securities held by the investment's counterparty, not in the name of the plan.

**Lower Township Fire District #3
Length of Service Award Program (LOSAP)
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021**

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.

Fair Value Measurements Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
December 31, 2022		
Fixed Account	\$ 189,532.26	189,532.26
Mutual Funds	322,473.07	322,473.07
Total	512,005.33	512,005.33
December 31, 2021		
Fixed Account	187,173.58	187,173.58
Mutual Funds	383,776.96	383,776.96
Total	\$ 570,950.54	570,950.54

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, 2022 and 2021.

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 Award Program (LOSAP)
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred through June 13, 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.