

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2

CAMDEN COUNTY,
NEW JERSEY



LENGTH OF SERVICE AWARDS PROGRAM

FOR THE YEAR ENDED
DECEMBER 31, 2014

**FIRE DISTRICT NO. 2
TOWNSHIP OF GLOUCESTER, NEW JERSEY**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Fire Commissioners
Fire District No. 2
Township of Gloucester
Blackwood, New Jersey 08012

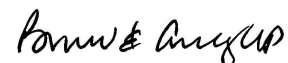
We have reviewed the accompanying statement of net assets available for benefits of the Township of Gloucester Fire District No. 2 Length of Service Awards Program, as of December 31, 2014, and the related statement of changes in net assets available for benefits for the year then ended. A review includes 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.

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 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.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 19, 2015

Township of Gloucester Fire District No. 2
LENGTH OF SERVICE AWARDS PROGRAM
Statement of Net Assets Available for Benefits
As of December 31, 2014

	<u>2014</u>
ASSETS:	
Investments	<u>\$ 63,855.43</u>
Total Assets	<u>63,855.43</u>
LIABILITIES AND NET ASSETS:	
Net Assets Available for Benefits	<u><u>\$ 63,855.43</u></u>

See independent accountant's review report and accompanying notes to the financial statements.

Township of Gloucester Fire District No. 2
LENGTH OF SERVICE AWARDS PROGRAM
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2014

	<u>2014</u>
INCREASES IN NET ASSETS:	
Additions to Net Assets Attributed to:	
Fire District's Contributions	<u>\$ 64,500.00</u>
Total Increases in Net Assets	<u>64,500.00</u>
DECREASES IN NET ASSETS:	
Decreases from Net Assets Attributed to:	
Decrease in Investment Value	<u>644.57</u>
Total Decreases in Net Assets	<u>644.57</u>
Net Increase (Decrease) in Net Assets	63,855.43
Net Assets, Beginning	<u>-</u>
Net Assets, Ending	<u><u>\$ 63,855.43</u></u>

See independent accountant's review report and accompanying notes to the financial statements.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2
LENGTH OF SERVICE AWARDS PROGRAM
Notes to Financial Statements
For the Year Ended December 31, 2014

Note 1: DESCRIPTION OF THE PLAN

The following description of the Township of Gloucester Fire District No. 2 ("Fire District") Length of Service Awards Program ("Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan, a defined contribution plan, was created by a Fire District Resolution adopted on November 13, 2013 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Awards Program as enacted into federal law in 1997. The voters of the Fire District approved the adoption of the Plan on February 15, 2014.

The first year of eligibility for entrance into the Plan was calendar year 2014. The tax deferred income benefits for volunteer firefighters, consisting of the volunteer fire department, come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of a plan created by that governing body.

Contributions

If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Fire District elected to contribute between \$600.00 and \$1,150.00 for the year ended December 31, 2014, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Fire District also awarded prior years of service contributions to volunteers who had between ten and twenty years of service. The Plan currently offers nineteen mutual funds, a money market fund, and a fixed account investment contract.

Participant Accounts

Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. In accordance with the amendments to Section 457 of the Internal Revenue Code, and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln National Life Insurance Company ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Fire District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator. Since the Fire District is not considered to be holding the assets, the Length of Service Awards Program is not presented in the Fire District's financial statements.

Vesting

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service. Additionally, the plan shall allow the active volunteer to become vested in a period of no less than three (3) years if he/she is credited with prior years of active service at a reduced rate, or a rate other than the (CIP) or maximum amount offered by the plan at the time of enrollment.

Note 1: DESCRIPTION OF THE PLAN (CONT'D)**Payment of Benefits**

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

Forfeited Accounts

For the year ended December 31, 2014 no accounts were forfeited.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The financial statements of the Plan are prepared on the accrual basis of accounting. 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. 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.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Investment contracts held by a defined contribution plan are required to be reported at fair value. The fixed account investment contract is presented at contract value, which approximates fair value. Contract value represents contributions received plus interest earned to date, less applicable charges and amounts withdrawn. The interest rate credited to the account is based on the overall rate of return for the entire portfolio.

Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses attributable to the mutual funds.

Earnings are accrued to individual participants' accounts based upon the investment performance of the specific options selected.

The Financial Accounting Standards Board (FASB) provides a framework for measuring fair values under generally accepted accounting principles. See note 5 for a discussion of fair value measurements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Receivables, Payables, and Benefits Paid**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to remain uncollectible. Contributions due from the Fire District are recognized when due, since the District has a legal requirement to make the contribution.

Liabilities for items other than benefits are recognized when incurred. Benefits payable, including accrued benefits and amounts allocated to accounts of vested persons who have elected to withdraw from the Plan, are not recognized until paid. Vested accumulated deferrals shall be paid to the participant in one or more installments as elected by the participant.

Operating Expenses

The Plan did incur administrative fees of \$25.00 per account in 2014.

Net Assets

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

Date of Management's Review

Subsequent events have been evaluated through May 19, 2015, which is the date the financial statements were available to be issued. No additional subsequent event disclosures are required.

Note 3: INVESTMENTS

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

The investments consist of a money market fund, mutual funds, and a fixed account investment contract. Each participant may choose his/her allocation from among these investments. The investments are made by the Plan Administrator 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 participant's account.

The fair value of the Plan's investments at December 31, 2014 was as follows:

	<u>2014</u>
Money Market Fund	\$ 849.89
Fixed Account Investment Contract	8,877.11
Mutual Funds	<u>54,128.43</u>
	<u>\$ 63,855.43</u>

The following represents investments at December 31, 2014 that represent five (5) percent or more of the Plan's net assets.

	<u>2014</u>
Fixed Account Investment Contract	\$ 8,877.11
Mutual Funds:	
LVIP SSgA S&P 500 Index Fund	17,773.94
American Funds Growth Fund	10,052.85
LVIP T. Rowe Price Structured Mid-Cap Growth Fund	5,527.00
Delaware VIP Value Series	4,359.09
Delaware VIP Smid Cap Growth Series	3,248.97

Note 3: INVESTMENTS (CONT'D)

During 2014, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$644.57 and depreciated in value as follows:

	<u>2014</u>
Money Market Fund	\$ (0.11)
Fixed Account Investment Contract	2.11
Mutual Funds	<u>(646.57)</u>
	<u>\$ (644.57)</u>

Note 4: INVESTMENT CONTRACT

The Plan has a guaranteed interest account contract with Lincoln National Life Insurance Company. The funds are maintained by the insurance company in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the financial statements at fair value reported by the insurance company which approximates contract value. Since contract value approximates fair value, there is no adjustment from contract value to fair value. The Fire District believes that any events that may limit the ability of the Plan to transact at contract value with the issuer are probable of not occurring.

Interest is credited daily at an interest rate not less than the guaranteed minimum interest rate included in the contract. The interest crediting rate is declared on a quarterly basis. The contract is guaranteed against loss of principal, minus all withdrawals, including charges and adjustments.

Note 5: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 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 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted 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 means.
- 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.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 5: FAIR VALUE MEASUREMENTS (CONT'D)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

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.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2014:

Assets at Fair Value as of December 31, 2014				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Fund		\$ 849.89		\$ 849.89
Fixed Account Investment Contract		8,877.11		8,877.11
Mutual Funds:				
Large-Cap Value	\$ 6,488.23			6,488.23
Large-Cap Blend	19,344.52	534.90		19,879.42
Large-Cap Growth	11,394.71	5,138.76		16,533.47
Mid-Cap Value	869.50			869.50
Mid-Cap Growth	5,527.00			5,527.00
Small-Cap Value	3,248.97			3,248.97
Risk Based		1,145.99		1,145.99
Balanced	285.29			285.29
Bonds		150.56		150.56
Total Mutual Funds	<u>47,158.22</u>	<u>6,970.21</u>	<u>-</u>	<u>54,128.43</u>
Total Assets at Fair Value	<u>\$ 47,158.22</u>	<u>16,697.21</u>	<u>-</u>	<u>\$ 63,855.43</u>

Note 6: PLAN TERMINATION

Although the Fire District has not expressed any intent to do so, a length of service awards program, pursuant to N.J.S.A. 40A:14-187 and N.J.A.C. 5:30-11.08, may be abolished or amended in the same way by which it was created, except in the case of minor amendments. Upon such termination, vested accumulated deferrals will be paid.

Note 7: RECEIVABLES

There were no receivables as of December 31, 2014.

Note 8: TAX STATUS

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan administrator and the management of the Fire District believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Code.

The Plan is generally subject to routine audits by the Internal Revenue Service, for three years. There are currently no audits in progress.

Note 9: RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for benefits.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2
LENGTH OF SERVICE AWARDS PROGRAM
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2
LENGTH OF SERVICE AWARDS PROGRAM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2014


This section identifies any instances of noncompliance with applicable statutes and regulations governing Length of Service Awards Programs disclosed during our review.

None.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District's Board of Fire Commissioners and the plan administrator during the course of this review engagement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bowman & Company".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

