

TOWNSHIP OF HOWELL

FIRE DISTRICT NO. 2 - ADELPHIA

COUNTY OF MONMOUTH

LENGTH OF SERVICE AWARD PROGRAM

DECEMBER 31, 2016 and 2015

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA

COUNTY OF MONMOUTH

LENGTH OF SERVICE AWARD PROGRAM

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Robert A. Hulsart and Company
CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1969-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Fire Commissioners
Township of Howell Fire District No. 2 – Adelphia
County of Monmouth
Howell, New Jersey

We have reviewed the accompanying Statements of the Net Position Available for program benefits for the Howell Township Fir District No. 2, Length of Service Award Program, as of December 31, 2016 and 2015, and the related Statement of Changes in Net Position Available for Program Benefits for the years then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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 these 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 engagements 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

Accountant's Conclusion

Based on our reviews, 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.

ROBERT A. HULSART AND COMPANY

March 6, 2017

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit 1

COUNTY OF MONMOUTHLENGTH OF SERVICE AWARD PROGRAMSTATEMENT OF NET POSITION AVAILABLEFOR PROGRAM BENEFITS

	<u>2016</u>
<u>Assets</u>	
Investments Held by Trustee	<u>\$ 1,202,661</u>
<u>Liabilities</u>	
Net Position Available for Program Benefits	<u>\$ 1,202,661</u>

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIACOUNTY OF MONMOUTH

Exhibit 2

LENGTH OF SERVICE AWARD PROGRAMSTATEMENT OF CHANGES IN NET POSITION AVAILABLEFOR PROGRAM BENEFITS

	<u>2016</u>
<u>Increases in Program Assets</u>	
Principal Contributions	\$ 71,982
Program Earnings - Net	95,493
Total Increase in Net Position	<u>167,475</u>
<u>Decreases in Program Assets</u>	
Distributions/Refunds/Adjustments	<u>20,000</u>
	147,475
<u>Net Position Available for Program Benefits</u>	
Beginning of Year	<u>1,055,186</u>
End of Year	<u>\$ 1,202,661</u>

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 ADELPHIA

COUNTY OF MONMOUTH

LENGTH OF SERVICE AWARD PROGRAM

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE PLAN

The following description of the Howell Township 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 17, 1998 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 at the annual election held on February 20, 1999.

The first year of eligibility for entrance into the Plan was calendar year 1999. The tax deferred income benefits for emergency service volunteers of the Howell Township Fire District #2, consisting of the volunteer fire department and the first aid organization, 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 \$1,669.00 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 for 2017; the maximum contribution was increased to \$1,674.00.

The Fire District elected to contribute \$1,669.00 for the year ended December 31, 2016 and \$1,669.00 for the year ended December 31, 2015, 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 Plan currently offers fifty-seven mutual funds, two money market funds, and two fixed account investment contracts.

NOTE 1. DESCRIPTION OF THE PROGRAM (Continued)

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 District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Valic variable Life Insurance Company ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The 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 District is not considered to be holding the assets, the Length of Service Awards Program is not presented in the District's financial statements.

Vesting

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Forfeited Accounts

For the year ended December 31, 2016 no accounts were forfeited and two were forfeited in 2015. All were due to leaving prior to vesting.

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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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.

Purchase 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 participant's 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.

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 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.

Net Position

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Subsequent Events**

Subsequent events have been evaluated through March 6, 2017, 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 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, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Money Market Fund	\$ 23,200.47	21,091.57
Fixed Investment Accounts	246,777.01	243,940.33
Mutual Funds	<u>860,701.69</u>	<u>721,725.31</u>
	<u>\$ 1,130,679.17</u>	<u>986,757.21</u>

The following represents investments at December 31, 2016 and 2015 that represent five (5) percent or more of the Plan's net assets.

	<u>2016</u>	<u>2015</u>
Fixed Investment Accounts:		
Fixed Account Plus	\$ 169,821.15	157,026.74
Short Term Fixed Account	76,955.86	86,913.59
Mutual Funds:		
Mid Cap Index Fund	156,300.51	123,018.05
Stock Index Fund	139,147.72	117,435.04
Aggressive Growth Lifestyle	61,285.96	

During 2016 and 2015, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$143,921.96, as follows:

	<u>2016</u>	<u>2015</u>
Money Market Fund	\$ 2,108.90	(2,644.64)
Fixed Investment Accounts	2,836.68	(51,607.14)
Mutual Funds	<u>138,976.38</u>	<u>66,761.37</u>
	<u>\$ 143,921.96</u>	<u>12,509.59</u>

NOTE 4: INVESTMENT CONTRACT

The Plan has guaranteed interest account contract with Valic Variable 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.

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.

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, 2016 and 2015.

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.

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

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 tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$	23,200.47		23,200.47
Fixed Account Investments:				
Fixed Account Plus		169,821.15		169,821.15
Short Term Fixed Account		76,955.86		76,955.86
Mutual Funds:				
Asset Allocation Fund		2,266.35		2,266.35
Government Securities Fund		11,265.25		11,265.25
Stock Index Fund		139,147.72		139,147.72
International Equities Fund		15,057.09		15,057.09
Small Cap Index Fund		52,884.24		52,884.24
Growth Income Fund		41,880.47		41,880.47
Science and Technology Fund		16,943.10		16,943.10
International Growth Fund		14,687.46		14,687.46
Vanguard LT Inv. Grade Fund		3,834.27		3,834.27
Vanguard Long Term Treasury		3,538.93		3,538.93
Vanguard Windsor II		12,792.27		12,792.27
International Opportunities		13,603.71		13,603.71
Small Cap Growth Fund		49,307.72		49,307.72
Small Cap Value Fund		36,672.38		36,672.38
Mid Cap Growth Fund		4,015.81		4,015.81
Mid Cap Index Fund		156,300.51		156,300.51
Mid Cap Value Fund		22,231.26		22,231.26
Capital Appreciation Fund		8,989.24		8,989.24
Large Cap Value Fund		16,150.07		16,150.07
NASDAQ 100 Index Fund		15,660.29		15,660.29
Aggressive Growth Lifestyle		61,285.96		61,285.96
Moderate Growth Lifestyle		39,380.49		39,380.49
Core Bond Fund		1,458.99		1,458.99
Strategic Bond Fund		1,507.29		1,507.29
Blue Chip Growth Fund		32,396.24		32,396.24
Inflation Protected Fund		2,699.73		2,699.73
Growth Fund		13,848.00		13,848.00
Large Capital Growth		35,700.65		35,700.65
Small Cap Special Value Fund		6,799.21		6,799.21
Global Strategy		20,774.14		20,774.14
Foreign Value		7,622.85		7,622.85
Total Mutual Funds		860,701.69		860,701.69
Total Assets at Fair Value	\$	1,130,679.17		1,130,679.17

*District does not have detail information.

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of December 31, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Fund	\$	21,091.57		21,091.57
Fixed Account Investments:				
Fixed Account Plus		157,026.74		157,026.74
Short Term Fixed Account		86,913.59		86,913.59
Mutual Funds:				
Asset Allocation Fund		1,685.12		1,685.12
Government Securities Fund		11,078.26		11,078.26
Stock Index Fund		117,435.04		117,435.04
International Equities Fund		13,511.86		13,511.86
Small Cap Index Fund		38,927.44		38,927.44
Growth Income Fund		36,801.74		36,801.74
Science and Technology Fund		15,446.68		15,446.68
International Growth Fund		14,443.96		14,443.96
Vanguard LT Inv. Grade Fund		3,429.30		3,429.30
Vanguard Long Term Treasury		3,378.69		3,378.69
Vanguard Windsor II		11,050.63		11,050.63
International Opportunities		13,072.50		13,072.50
Small Cap Growth Fund		43,869.95		43,869.95
Small Cap Value Fund		5,015.85		5,015.85
Mid Cap Growth Fund		3,660.71		3,660.71
Mid Cap Index Fund		123,018.05		123,018.05
Mid Cap Value Fund		18,867.44		18,867.44
Capital Appreciation Fund		8,683.19		8,683.19
Large Cap Value Fund		41,664.08		41,664.08
NASDAQ 100 Index Fund		14,426.36		14,426.36
Aggressive Growth Lifestyle		45,398.75		45,398.75
Moderate Growth Lifestyle		30,104.23		30,104.23
Core Bond Fund		1,255.55		1,255.55
Strategic Bond Fund		1,234.56		1,234.56
Blue Chip Growth Fund		31,546.70		31,546.70
Inflation Protected Fund		2,294.43		2,294.43
Growth Fund		13,347.81		13,347.81
Large Capital Growth		32,156.56		32,156.56
Global Strategy		18,908.87		18,908.87
Foreign Value		6,011.00		6,011.00
Total Mutual Funds		<u>721,725.31</u>		<u>721,725.31</u>
Total Assets at Fair Value	\$	<u>986,757.21</u>		<u>986,757.21</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

Receivables as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Fire District Contribution Receivable	\$ 71,982.00	68,429.00

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 position available for benefits.

SUPPLEMENTARY INFORMATION

COUNTY OF MONMOUTH

Exhibit 3

LENGTH OF SERVICE AWARD PROGRAM

SCHEDULE OF INVESTMENT PROGRAM ACTIVITY

	Balance Dec. 31, 2015	Increased by		Decreased by	Balance Dec. 31, 2016
		Contributions	Earnings	Distributions	
Investments					
Valic Variable Annuity Life Insurance Company	\$ 1,055,186	71,982	95,493	20,000	1,202,661

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

LENGTH OF SERVICE AWARDS PROGRAM

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA
LENGTH OF SERVICE AWARDS PROGRAM

Schedule of Findings and Recommendations
For The Year Ended December 31, 2016

This section identifies any instances of noncompliance with applicable statues 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 officials and the Plan Administrator during the course of this review engagement.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY
Certified Public Accountants