

CITY OF VINELAND

RESOLUTION NO. 2019-487

RESOLUTION ACKNOWLEDGING THE RECEIPT OF THE CITY OF VINELAND, COUNTY OF CUMBERLAND LENGTH OF SERVICE AWARD PROGRAM (LOSAP) REVIEW FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 AND AUTHORIZING THE SAME TO BE RECEIVED AND FILED WITH THE CITY CLERK AND CHIEF FINANCE OFFICER.

WHEREAS, City Council has received the independent accountant's review report of Ford, Scott and Associates, L.L.C., which provides a review of the financial statement of the City of Vineland Length of Service Award Program (LOSAP) in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA.

WHEREAS, based on the independent accountant's reviews, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United State of America

NOW THEREFORE BE IT RESOLVED by the Council of the City of Vineland that receipt of the independent accountant's review report dated August 9, 2019 is hereby acknowledged, and further that the same shall be received and filed with the City Clerk and Chief Finance Officer.

Adopted:

President of Council

ATTEST:

City Clerk

**Length of Service
Award Program (LOSAP)**

City of Vineland

Financial Statements

**For the Years Ended
December 31, 2018 and 2017**

**Length of Service Award Program (LOSAP)
City of Vineland**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Program Sponsor of the City of Vineland
Length of Service Award Program (LOSAP)

We have reviewed the accompanying financial statements of the City of Vineland Length of Service Award Program (LOSAP), which comprise of the statements of net assets available for benefits as of December 31, 2018 and 2017, 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 program 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 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 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 requires us to perform procedures to obtain limited assurance as a basis of 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 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 accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United State of America.

Ford, Scott & Associates, L.L.C.

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

August 9, 2019

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Length of Service Award Program (LOSAP)
City of Vineland
Statement of Net Assets Available for Benefits
December 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Investments		
Money Market Funds	\$ 2,379,956.58	2,548,298.25
Mutual Funds	184,541.67	170,857.24
Guaranteed Accumulation	<u>219,076.11</u>	<u>225,999.90</u>
Total Investments	2,783,574.36	2,945,155.39
Employer Contributions Receivable	<u>144,599.00</u>	<u>147,777.00</u>
TOTAL ASSETS	<u><u>2,928,173.36</u></u>	<u><u>3,092,932.39</u></u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 2,928,173.36</u></u>	<u><u>3,092,932.39</u></u>

See accompanying notes and independent accountant's review report

Length of Service Award Program (LOSAP)
City of Vineland
Statement of Changes in Net Assets Available for Benefits
Years Ended December 31,

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Additions to net assets attributed to:		
Investment Income		
Net appreciation of fair market value of investments	\$ -	421,476.60
Contributions		
Employer	144,599.00	147,777.00
TOTAL ADDITIONS	<u>144,599.00</u>	<u>569,253.60</u>
 DEDUCTIONS		
Deductions from net assets attributable to:		
Net depreciation of fair market value of investments	167,294.60	-
Benefits Paid to Participants	137,919.83	77,943.72
Administrative Expenses	4,143.60	3,748.62
Prior Year Contribution Adjustment	-	6,356.00
TOTAL DEDUCTIONS	<u>309,358.03</u>	<u>88,048.34</u>
 NET INCREASE (DECREASE)	(164,759.03)	481,205.26
 NET ASSETS AVAILABLE FOR BENEFITS		
 BEGINNING OF YEAR	3,092,932.39	2,611,727.13
 END OF YEAR	\$ <u><u>2,928,173.36</u></u>	<u><u>3,092,932.39</u></u>

See accompanying notes and independent accountant's review report

NOTES TO THE FINANCIAL STATEMENTS

Length of Service Award Program (LOSAP)
City of Vineland
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 1: Description of the Plan

The City of Vineland Length of Service Awards Program (LOSAP) was created by a City Ordinance adopted on July 13, 1999 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 Award Program as enacted into federal law in 1997. The voters of the City of Vineland approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was fiscal year 2001. The tax deferred income benefits for emergency service volunteers of the Volunteer Fire Department, come from contributions made solely by the City Council, on behalf of those volunteers who meet the criteria of a plan created by the Council Members.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 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 issues the permitted maximum annually.

For the years ended December 31, 2018 and 2017, the City of Vineland elected to contribute \$1,589 per eligible volunteer into the Plan.

Participants are vested after 5 years of service. Participant loans are not permitted under the Program.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the City has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Variable Annuity Life Insurance Company (VALIC), an approved LOSAP provider, is the administrator of the plan. The City'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 City is not considered to be holding the assets, the LOSAP is not presented in the City of Vineland's financial statements.

Note 2: 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.

**Length of Service Award Program (LOSAP)
City of Vineland
Notes to Financial Statements
For the Year Ended December 31, 2018 and 2017
(Continued)**

Note 2: Description of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets

Investments

Investments are reported at fair value.

Receivables and Payables

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 City of Vineland are recognized when due, since the City has a legal requirement to make the contribution.

Liabilities are recognized when due. A liability for benefits payable is recognized when the employee's rights to receive such benefits have vested and the employee notifies the plan of his or her intent to retire.

Net Assets

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

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.

Note 3: Investments

An investment agreement was entered into at the inception of the plan between the City and VALIC, whereby VALIC would have custody of the securities of the plan and also advises the City as to investment alternatives.

The investments consist of money markets, fixed investments and guaranteed accumulation. Each participant may choose his/her allocation from among these investments. The investments are made by VALIC for benefit of plan participants. The investments are valued at market value at the end of each year and the increase/ (decrease) is posted to the individual's account.

All investment balances at December 31, 2018 are certified by VALIC and are valued at market value as stated by VALIC.

During 2018 and 2017, the Program's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by \$(167,294.60) and \$421,476.00 respectively as follows:

	2018	2017
Mutual Funds	\$ (173,915.01)	416,769.79
Money Market Funds	604.53	(999.67)
Guaranteed Accumulation	6,015.88	5,706.48
	\$ (167,294.60)	421,476.60

Length of Service Award Program (LOSAP)
City of Vineland
Notes to Financial Statements
For the Year Ended December 31, 2018 and 2017
(Continued)

Note 3: Investments (Continued)

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

	Value at December 31, 2018	Value at December 31, 2017
Fixed Account Plus	\$ 215,106.01	222,202.59
Government Money Market I	180,439.25	164,424.66
Health Sciences Fund	357,793.10	330,244.38
Mid Cap Index Fund	172,732.24	216,357.02
Stock Index Fund	142,721.36	136,469.99
	<u>\$ 1,068,791.96</u>	<u>1,069,698.64</u>

The following is a comparative breakdown of investments at December 31, 2018 and 2017:

	Value at December 31, 2018	Value at December 31, 2017
Value		
Domestic	\$ 1,836,956.21	1,887,984.07
Foreign	100,644.27	123,350.98
Growth		
Domestic	635,199.66	707,673.98
Foreign	149,671.36	169,945.05
Bond		
Domestic	61,102.86	56,201.31
	<u>\$ 2,783,574.36</u>	<u>2,945,155.39</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, 2018, the plan had invested \$2,783,574.36 of various securities held by the investment's counterparty, not in the name of the plan.

**Length of Service Award Program (LOSAP)
City of Vineland
Notes to Financial Statements
For the Year Ended December 31, 2018 and 2017
(Continued)**

Note 4: Fair Value Measurements

Length of Service Award Program (LOSAP) of the City of Vineland investments is reported at fair value in the accompanying statement of financial position.

		Fair Value Measurements Using:	
		Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
December 31, 2018			
Mutual Fund	\$	2,379,956.58	2,379,956.58
Money Market Funds		184,541.67	184,541.67
Guaranteed Accumulation		219,076.11	219,076.11
Total		<u>2,783,574.36</u>	<u>2,783,574.36</u>
December 31, 2017			
Mutual Fund		2,548,298.25	2,548,298.25
Money Market Funds		170,857.24	170,857.24
Guaranteed Accumulation		225,999.90	225,999.90
Total	\$	<u>2,945,155.39</u>	<u>2,945,155.39</u>

Generally Accepted Accounting Principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This 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. Length of Service Award Program (LOSAP) of the City of Vineland uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Length of Service Award Program (LOSAP) of the City of Vineland measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or 3 inputs were available to Length of Service Award Program (LOSAP) of the City of Vineland in years ended December 31, 2018 and 2017.

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 City of Vineland at year-end.

Length of Service Award Program (LOSAP)
City of Vineland
Notes to Financial Statements
For the Year Ended December 31, 2018 and 2017
(Continued)

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, 2018	December 31, 2017
Change in Net Assets:			
Beginning of the Year	\$	3,092,932.39	2,611,727.13
Contributions		144,599.00	147,777.00
Investment Earnings		(167,294.60)	421,476.60
Administrative Expenses		(4,143.60)	(3,748.62)
Benefits Paid to Participants		(137,919.82)	(77,943.72)
Prior Year Contribution Adjustment		-	(6,356.00)
End of the Year	\$	2,928,173.37	3,092,932.39

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 City of Vineland subject only to the claims of the City's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant's rights are equal to his or her share of the fair market value of the plan assets.

Note 7: Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from December 31, 2018 through August 9, 2019, 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 City that would require disclosure.