

RESOLUTION NO. 2023-386

RESOLUTION ACKNOWLEDGING THE RECEIPT OF THE CITY OF VINELAND, COUNTY OF CUMBERLAND LENGTH OF SERVICE AWARD PROGRAM (LOSAP) REVIEW REPORT FOR YEAR ENDING DECEMBER 31, 2022 AND AUTHORIZE THE SAME TO BE RECEIVED AND FILED WITH THE DIRECTOR OF FIRE AND CHIEF FINANCE OFFICER.

WHEREAS, City Council has received the independent accountant's review report from Ford-Scott and Associates, L.L.C. which provides the financial statement of the City of Vineland Length of Service Award Program (LOSAP) on the basis of accounting prescribed by the Local Government Services Division; and

WHEREAS, said independent accountant's review report found no material modifications that should be made to the financial statements.

NOW THEREFORE BE IT RESOLVED by the Council of the City of Vineland that receipt of the independent accountant's review report dated July 17, 2023 is hereby acknowledged, and further that the same shall be received and filed with the Director of Fire and Chief Finance Officer.

Adopted:

President of Council

ATTEST:

City Clerk

CITY OF VINELAND

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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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, 2022 and 2021, 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.

We are required to be independent of the City of Vineland 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 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**

July 17, 2023

FINANCIAL STATEMENTS

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

	2022	2021
<u>Assets</u>		
Investments		
Mutual Funds	\$ 2,691,569.14	\$ 3,967,785.00
Money Market Funds	505,957.78	174,858.71
Guaranteed Accumulation	354,975.98	361,989.01
Total Investments	3,552,502.90	4,504,632.72
Employer Contributions Receivable	141,492.00	149,760.00
Total Assets	3,693,994.90	4,654,392.72
<u>Liabilities and Net Assets</u>		
Net Assets Available for Benefits	3,693,994.90	4,654,392.72
Total Liabilities and Net Assets	\$ 3,693,994.90	\$ 4,654,392.72

See accompanying Notes and Account's Review Report

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

	2022	2021
<u>Additions</u>		
Additions to net assets attributed to:		
Investment Income		
Net appreciation of fair market value of investments	\$ -	\$ 472,701.65
Interest	9,784.32	9,602.85
Contributions		
Employer contribution for prior year	1,589.00	-
Employer contribution for current year	141,492.00	149,760.00
Total Additions	152,865.32	632,064.50
<u>Deductions</u>		
Deductions from net assets attributable to:		
Benefits paid to participants	157,810.03	133,020.88
Net depreciation of fair market value of investments	949,403.19	-
Administrative fee	6,049.92	6,389.56
Total Deductions	1,113,263.14	139,410.44
Net Increase / (Decrease)	(960,397.82)	492,654.06
<u>Net Assets Available for Benefits</u>		
Net Assets, Beginning	4,654,392.72	4,161,738.66
Net Assets, Ending	\$ 3,693,994.90	\$ 4,654,392.72

See accompanying Notes and Account's Review Report

NOTES TO THE FINANCIAL STATEMENTS

City of Vineland
Length of Service Award Program (LOSAP)
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

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, 2022 and 2021, the City of Vineland elected to contribute \$1,814 and \$1,664 per eligible volunteer into the Plan.

Participants are 100% vested after 5 years of service. Participant loans are not permitted under the Program. Prior service shall be recognized and credit for vesting purposes only, up to a maximum of ten year of active service. If a participant deceases prior to 5 years of service, the full amount of the volunteers account will be considered vested and will be paid to the estate of the participant.

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.

City of Vineland
Length of Service Award Program (LOSAP)
Notes to Financial Statements
For the Year Ended December 31, 2022 and 2021
(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, 2022 are certified by VALIC and are valued at market value as stated by VALIC.

During 2022 and 2021, 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 \$(939,618.87) and \$482,304.50 respectively as follows:

	2022	2021
Mutual Funds	\$ (950,584.38)	\$ 474,551.10
Money Market Funds	1,181.19	(1,849.45)
Guaranteed Accumulation	9,784.32	9,602.85
	\$ (939,618.87)	\$ 482,304.50

City of Vineland
Length of Service Award Program (LOSAP)
Notes to Financial Statements
For the Year Ended December 31, 2022 and 2021
(Continued)

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

	Value at December 31, 2022	Value at December 31, 2021
FIXED ACCOUNT PLUS	\$ 226,960.22	\$ 238,140.37
GS VIT GOV MONEY MKT FD INST	505,957.78	0.00
INTERNATL EQUITIES INDEX FUND	208,529.36	181,630.87
MID CAP INDEX FUND	179,422.06	237,829.96
SCIENCE & TECHNOLOGY FUND	457,417.72	738,230.67
STOCK INDEX FUND	211,170.13	280,220.51
	<u>\$ 1,789,457.27</u>	<u>\$ 1,676,052.38</u>

The following is a comparative breakdown of investments at December 31, 2022 and 2021:

	Value at December 31, 2022	Value at December 31, 2021
Value		
Domestic	\$ 2,250,879.05	\$ 2,931,927.24
Foreign	276,851.42	295,990.67
Growth		
Domestic	823,414.23	1,046,657.13
Foreign	47,654.30	86,255.96
Bond		
Domestic	153,703.90	143,801.72
	<u>\$ 3,552,502.90</u>	<u>\$ 4,504,632.72</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, the plan had invested \$3,552,502.90 of various securities held by the investment's counterparty, not in the name of the plan.

City of Vineland
Length of Service Award Program (LOSAP)
Notes to Financial Statements
For the Year Ended December 31, 2022 and 2021
(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, 2022		
Mutual Funds	\$ 2,691,569.14	\$ 2,691,569.14
Money Market Funds	505,957.78	505,957.78
Guaranteed Accumulation	354,975.98	354,975.98
Total	3,552,502.90	3,552,502.90
December 31, 2021		
Mutual Funds	3,967,785.00	3,967,785.00
Money Market Funds	174,858.71	174,858.71
Guaranteed Accumulation	361,989.01	361,989.01
Total	\$ 4,504,632.72	\$ 4,504,632.72

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, 2022 and 2021.

Level 1 Fair Value Measurements

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 Fair Value Measurements

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities to active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quotes 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 names.

City of Vineland
Length of Service Award Program (LOSAP)
Notes to Financial Statements
For the Year Ended December 31, 2022 and 2021
(Continued)

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 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

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.

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, <u>2022</u>	December 31, <u>2021</u>
Change in Net Assets:		
Beginning of Year	\$ 4,654,392.72	\$ 4,161,738.66
Contributions	143,081.00	149,760.00
Investment Earnings	(939,618.87)	482,304.50
Administrative Expenses	(6,049.92)	(6,389.56)
Benefits Paid to Participants	<u>(157,810.03)</u>	<u>(133,020.88)</u>
End of Year	<u>\$ 3,693,994.90</u>	<u>\$ 4,654,392.72</u>

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.

City of Vineland
Length of Service Award Program (LOSAP)
Notes to Financial Statements
For the Year Ended December 31, 2022 and 2021
(Continued)

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from December 31, 2022 through July 17, 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 City that would require disclosure.