BOROUGH OF WESTWOOD

LENGTH OF SERVICE AWARDS PROGRAM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF WESTWOOD

TABLE OF CONTENTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Westwood
Westwood, New Jersey

We have reviewed the accompanying statements of net position available for benefits for the Borough of Westwood Length of Service Awards Program Trust Fund as of December 31, 2017 and 2016, and the related statements of changes in net position available for benefits for the years 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 of the Borough of Westwood. 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

The management of the Borough of Westwood 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 engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 conformity with accounting principles generally accepted in the United States of America.

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Required Supplementary Information

Management has not presented the management discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Lerch, Vinci - Higgins, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
June 29, 2018

BOROUGH OF WESTWOOD
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
COMPARATIVE STATEMENTS OF NET POSITION AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Investments	$ 1,608,366	$ 1,376,044
Municipal Contribution Receivable	66,258	59,233
Total Assets	1,674,624	1,435,277
LIABILITIES	-	-
NET POSITION		
Held in Trust for Benefits	$ 1,674,624	$ 1,435,277

See Accompanying Notes and Accountant's Review Report

BOROUGH OF WESTWOOD
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
COMPARATIVE STATEMENTS OF CHANGES IN NET POSITION
AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
ADDITIONS		
Municipal Contributions	$ 62,808	$ 58,084
Increase in Investment Value	255,303	104,395
Total Additions	318,111	162,479
DEDUCTIONS		
Benefits Paid to Participants	74,815	39,609
Administrative Charges	3,075	3,096
Accounts Terminated and Forfeited to Borough	874	673
Total Deductions	78,764	43,378
Change in Net Position	239,347	119,101
NET POSITION		
Beginning of Year	1,435,277	1,316,176
End of Year	$ 1,674,624	$ 1,435,277

See Accompanying Notes and Accountant's Review Report

BOROUGH OF WESTWOOD
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 DESCRIPTION OF THE PROGRAM

The Borough of Westwood Length of Service Awards Program (LOSAP) was created by a Borough Ordinance adopted on July 27, 1999 pursuant to Section 457 (e)(11)(13) of the Internal Revenue 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 Borough of Westwood approved the adoption of the Plan at the general election held on November 2, 1999.

The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and First Aid Organization, come from contributions made solely by the municipality, on behalf of those volunteers who meet the criteria of a plan created by that governing body.

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 will issue the permitted maximum annually.

The Borough of Westwood has contributed between $625 to $1,250 for each eligible Volunteer Fire Department member and Volunteer First Aid Organization member.

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

Lincoln Financial Group is the administrator of the plan. The Borough'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.

The LOSAP is presented in the Borough of Westwood's financial statements as a Trust Fund. In accordance with NJAC 5:30-14.26 all amounts awarded under the plan remain the assets of the Borough. Plan Funds are subject to the claims of the Borough's general creditors until distributed to vested plan participants.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the Program in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Auditing Review Services.

NOTE 2 SUMMARY 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 position 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Assets, Liabilities and Net Position

1. **Investments**

   Investments are reported at fair value and are limited by NJAC 5:30-14.19.

2. **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 Borough of Westwood are recognized when due, since the Borough 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.

3. **Net Position**

   The difference between plan assets and plan liabilities is reported as net position held in trust for benefits.

NOTE 3 INVESTMENTS

The Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

An investment agreement was entered into at the inception of the plan between the Borough and Lincoln National Life Insurance Co., whereby Lincoln National Life Insurance Co., would have custody of the securities of the plan and also advises the Borough as to investment alternatives.

The investments consist of stocks, bonds, money markets, fixed investments and guaranteed accumulation. Each participant may choose his/her allocation from among these investments. The investments are made by the Lincoln National Life Insurance Company 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.

As of December 31, 2017 and 2016, the value of the plan's investments were $1,608,366 and $1,376,044, respectively.

NOTE 3 INVESTMENTS (Continued)

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, 2017 and 2016, the plan had invested $1,608,366 and $1,376,044, respectively, of various securities held by the investment's counterparty, not in the name of the Plan. The investments were uninsured and collateralized.

Interest Rate Risk – The Borough does not have a formal investment policy that limits LOSAP investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its LOSAP investment choices. As of December 31, 2017 and 2016, Lincoln National Life Insurance Company is rated Baa1 and Baa1, respectively, by Moody's Investors Service.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the LOSAP investments are in Lincoln Financial LOSAP Investment Fund. These investments are 100% of the Borough's total LOSAP investments.

The fair value of the above-listed investments were based on quoted market prices provided by Lincoln Financial Group.

NOTE 4 RECEIVABLES

Receivables as of December 31, 2017 and 2016, including the applicable allowance for uncollectible accounts are as follows:

	2017	2016
Municipal Contribution	$66,258	$59,233
Less: Allowance for Uncollectibles	-	-
Net Total Receivables	$66,258	$59,233

NOTE 5 VESTING AND BENEFIT PROVISIONS

Benefits vest after five (5) years of service. Any volunteer who has already successfully completed five (5) years or more of service as an active member in good standing becomes vested at the on-set of the program. Any member who has successfully completed four (4) years of service as an active member in good standing will vest after one (1) additional year of service, and so forth. New members who join after implementation of the program become vested after the completion of five (5) years of active service.

If a member does not vest and terminates their association with the volunteer fire or first aid organizations, the funds are returned to the Borough.

BOROUGH OF WESTWOOD
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
COMMENTS AND RECOMMENDATIONS

There are none.