

**BOROUGH OF PARK RIDGE
LENGTH OF SERVICE AWARDS PROGRAM
YEAR ENDED DECEMBER 31, 2021 AND 2020**



LERCH, VINCI & BLISS, LLP

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Park Ridge
Park Ridge, New Jersey

We have reviewed the accompanying statements of net position available for benefits for the Borough of Park Ridge Length of Service Awards Program Trust Fund as of December 31, 2021 and 2020, 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 Park Ridge. 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 Park Ridge 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.

We are required to be independent of the Borough of Park Ridge and to meet our other ethical responsibilities, in accordance with the 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 the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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.

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Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
August 31, 2022

**BOROUGH OF PARK RIDGE
LENGTH OF SERVICE AWARDS PROGRAM
COMPARATIVE STATEMENTS OF NET POSITION AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Investments	\$ 2,684,178	\$ 2,196,671
Contributions Receivable	<u>85,084</u>	<u>77,931</u>
 TOTAL ASSETS	 <u>2,769,262</u>	 <u>2,274,602</u>
 LIABILITIES	 <u>-</u>	 <u>-</u>
 NET POSITION AVAILABLE FOR BENEFITS	 <u>\$ 2,769,262</u>	 <u>\$ 2,274,602</u>

**BOROUGH OF PARK RIDGE
LENGTH OF SERVICE AWARDS PROGRAM
COMPARATIVE STATEMENTS OF CHANGES IN NET POSITION
AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Additions to net position attributed to:		
Municipal Contributions	\$ 78,430	\$ 73,315
Increase in Investment Value	<u>421,710</u>	<u>259,779</u>
 TOTAL ADDITIONS	 <u>500,140</u>	 <u>333,094</u>
DEDUCTIONS		
Deductions from net position attributed to:		
Withdrawals by Vested Plan Members	800	113,732
Non-Vested Plan Members Contributions Forfeited to Borough	1,924	
Administrative Charges	<u>2,756</u>	<u>2,775</u>
 TOTAL DEDUCTIONS	 <u>5,480</u>	 <u>116,507</u>
 CHANGE IN NET POSITION AVAILABLE FOR BENEFITS	 494,660	 216,587
NET POSITION AVAILABLE FOR BENEFITS		
Beginning of Year	<u>2,274,602</u>	<u>2,058,015</u>
End of Year	<u>\$ 2,769,262</u>	<u>\$ 2,274,602</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF PARK RIDGE
LENGTH OF SERVICE AWARDS PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 1 DESCRIPTION OF THE PLAN

The Borough of Park Ridge Length of Service Awards Program (LOSAP) was created by a Borough Ordinance adopted on August 10, 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 Borough of Park Ridge 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 calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Tri-Boro Ambulance Corp., come from contributions made in part by the Borough, on behalf of those volunteers who meet the criteria of the plan created by the 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 publishes changes to the permitted maximum on an annual basis.

The Borough of Park Ridge has contributed \$1,705 and \$1,705 for 2021 and 2020, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed a one-third (1/3) share of \$1,705 and \$1,705 for 2021 and 2020, respectively, for each eligible volunteer Tri-Boro Ambulance Corp. member into the Plan. In addition, the Boroughs of Montvale and Woodcliff Lake also contribute a one-third (1/3) share each of the \$1,705 and \$1,705 for 2021 and 2020 for each eligible Tri-Boro Ambulance Corp. member. The total contributions made by the Borough of Park Ridge were \$56,834 and \$51,719 for 2021 and 2020, respectively. In addition, the Borough of Montvale and Woodcliff Lake each contributed \$10,798 and \$10,798 for 2021 and 2020, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue 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, a subsidiary of Lincoln National Corporation, 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 Park Ridge'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.

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.

**BOROUGH OF PARK RIDGE
LENGTH OF SERVICE AWARDS PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Assets, Liabilities and Net Position

1. Investments

Investments are reported at fair value and are limited by NJAC 5:30-14.9.

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 Boroughs of Park Ridge, Montvale and Woodcliff Lake are recognized when due, since the Boroughs have 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 available 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 plan participants as to investment alternatives.

**BOROUGH OF PARK RIDGE
 LENGTH OF SERVICE AWARDS PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 3 INVESTMENTS (Continued)

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 and Lincoln Financial Group, its agent, for benefit of plan participants. The investments are valued at market value at the end of each year and the applicable gains or losses are posted to the individual's account.

As of December 31, 2021 and 2020, the value of the plan's investments were \$2,684,178 and \$2,196,671, respectively, as follows:

	<u>2021</u>	<u>2020</u>
Lincoln Financial Group:		
Park Ridge Volunteer Fire Dept. – LOSAP Investment Fund	\$1,479,667	\$1,205,618
Tri-Boro Ambulance Corp. – LOSAP Investment Fund	<u>1,204,511</u>	<u>991,053</u>
	<u>\$2,684,178</u>	<u>\$2,196,671</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial credit risk. As of December 31, 2021 and 2020 \$2,684,178 and \$2,196,671, respectively, of the Borough's LOSAP investments were exposed to custodial credit risk as follows:

	Fair Value LOSAP	
	<u>2021</u>	<u>2020</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$2,684,178</u>	<u>\$2,196,671</u>

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. 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 – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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, 2021 and 2020, Lincoln Financial Group, a subsidiary of Lincoln National Corporation, is rated Baa1 and A- by Moody's Investors Service and Standard and Poor's, respectively.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Borough's investment in a single issuer. 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 information provided by Lincoln Financial Group.

**BOROUGH OF PARK RIDGE
 LENGTH OF SERVICE AWARDS PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 4 FAIR VALUE MEASUREMENTS

Fair value measurements reflected in the financial statements conceptually represent 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 financial statement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that reflect the Program’s assumptions, based on the best information available, about how market participants would value an asset or liability.

Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities measured and reported at fair value are classified and disclosed within one of the following categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets as of the reporting date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations are determined through direct or indirect observations other than quoted market prices for identical assets and liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate the Program’s assumptions and projections in determining the fair value assigned to the assets or liabilities.

The fair value of investments determined to be level 2 assets as of December 31, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Variable Annuity – Multi Fund	<u>\$2,684,178</u>	<u>\$2,196,671</u>

NOTE 5 RECEIVABLES

Receivables as of December 31, 2021 and 2020, including the applicable allowance for uncollectible accounts are as follows:

	<u>2021</u>	<u>2020</u>
Municipal Contributions Receivable –		
Borough of Park Ridge	\$61,214	\$56,335
Borough of Montvale	11,935	10,798
Borough of Woodcliff Lake	<u>11,935</u>	<u>10,798</u>
	85,084	77,931
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$85,084</u>	<u>\$77,931</u>

**BOROUGH OF PARK RIDGE
LENGTH OF SERVICE AWARDS PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 6 VESTING AND BENEFIT PROVISIONS

Member benefits vest after five (5) years of service.

NOTE 7 EVALUATION OF SUBSEQUENT EVENTS

The Program has evaluated subsequent events through August 31, 2022, the date of which the financial statements were available to be issued.

**BOROUGH OF PARK RIDGE
LENGTH OF SERVICE AWARDS PROGRAM
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2021 AND 2020**

General Comments

There are none.