

**LENGTH OF SERVICE AWARDS PROGRAM**

**BOROUGH OF MILLTOWN**

**COUNTY OF MIDDLESEX, STATE OF NEW JERSEY**

**FOR THE YEARS ENDED DECEMBER 31, 2016**

**AND DECEMBER 31, 2015**

**LENGTH OF SERVICE AWARDS PROGRAM**  
**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, STATE OF NEW JERSEY**  
**TABLE OF CONTENTS**

	<u>Page</u>
Accountant's Review Report	1
Statement of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4-13

# SAMUEL KLEIN AND COMPANY

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## ACCOUNTANT'S REVIEW REPORT

Mayor and Members of the Borough Council  
Borough of Milltown  
County of Middlesex, New Jersey  
Length of Service Awards Program (LOSAP)

We have reviewed the accompanying statements of net assets available for benefits for the Borough of Milltown ("Borough"), County of Middlesex, Length of Service Awards Program (LOSAP) plan as of December 31, 2016 and December 31, 2015 and the related statement of changes in net assets available for benefits for the year ended December 31, 2016. A review includes primarily applying analytical procedures to the Borough's financial data and making inquiries of the Borough personnel. 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 Borough 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 financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement 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 our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, 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.



Gerard Stankiewicz  
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey  
June 27, 2017

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

	As of December 31,	
	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Cash, Cash Equivalents and Investments	\$ <u>912,846.19</u>	\$ <u>850,117.25</u>
<b><u>NET ASSETS</u></b>		
Net Assets Available for Benefits	\$ <u>912,846.19</u>	\$ <u>850,117.25</u>

See Accountant's Review Report.

See Accompanying Notes to Financial Statements.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	<u>Year Ended</u> <u>December 31, 2016</u>
Additions:	
Additions to Net Assets Attributed to:	
Contributions - Municipal	\$ 58,836.17
Net Appreciation/(Depreciation) in Fair Value in Investments	<u>63,233.30</u>
Total Additions	<u>\$ 122,069.47</u>
Deletions:	
Administrative Charges	\$ 2,602.00
Withdrawals to Beneficiaries	<u>56,738.45</u>
Total Deletions	<u>\$ 59,340.45</u>
Net Increase	\$ 62,729.02
Beginning of Year	<u>850,117.25</u>
End of Year	<u><u>\$ 912,846.27</u></u>

See Accountant's Review Report.

See Accompanying Notes to Financial Statements.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**A. Description of Plan**

The following description of the Borough of Milltown, Length of Service Awards Program (LOSAP) (“Plan”) provides only generation information. Participants should refer to the Program agreement for a more complete description of the Plan’s provisions.

1. *General*

- a. Establishment of Plan. Borough of Milltown (hereinafter the “Sponsoring Agency”), a governing body of the Municipality, hereby establishes the Borough of Milltown Length of Service Award Plan (hereinafter the “Plan”). The plan is intended to qualify as a length of service award plan excluded under section 457(e)(11) of the Internal Revenue Code of 1986, as amended (“Code”), from being treated as a plan providing for the deferral of compensation.
- b. Purpose of the Plan. The purpose of the Plan is to enhance the Sponsoring Agency’s ability to retain and recruit volunteer firefighters and rescue squad corps. Nothing contained in the Plan shall be deemed to constitute an employment agreement between any Participant and the Sponsoring Agency and nothing contained herein shall be deemed to give any Participant any right to be retained in the service of the Sponsoring Agency.

2. *Contributions*

- a. All Benefits Considered. Each eligible volunteer’s service award shall be subject to contribution requirements as set forth in the Plan. In determining whether contribution requirements have been satisfied, all benefits provided under all service award programs instituted by a Sponsoring Agency shall be considered as one program.
- b. Amount of Contribution. The LOSAP shall provide for annual contributions to each eligible member that meets the criteria, per qualifying member and shall be in conformance with the provisions of New Jersey Statute 40A:14-189(b). The minimum effective in 2009 is \$1,150.00 per year plus accrued annual increases as permitted under the provisions of New Jersey Statute 10A:14-185(5f).

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**A. Description of Plan (Continued)**

*2. Contributions (Continued)*

- c. Withholding. Notwithstanding any other provision in the Plan, the amount of award contributions credited to a Participant's Account pursuant to his Joinder Agreement shall not be treated as compensation subject to Federal income tax withholding or New Jersey Gross Income Tax withholding.

*3. Participant Accounts*

Each participant's account is credited with the participant's contribution and allocations of (a) the Sponsoring Agency's contribution and (b) Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

- a. Eligible Volunteer: "Eligible volunteer" means any person who is performing qualified services which is defined in Section 457 of the Internal Revenue Code as firefighting and prevention services, emergency medical services and ambulance services. The only compensation an eligible volunteer can receive is in the form of (1) reimbursement or reasonable allowance for reasonable expenses incurred in the performance of such services or (2) reasonable benefits including length of service awards and nominal fees for such services, customarily paid by eligible employers in connection with such services by volunteers.
- b. Participant: "Participant" means any eligible volunteer of the participating agency who executes a participation agreement with the sponsoring agency assenting to the provisions of this plan, once the agreement has been approved.
- c. Year of Active Emergency Service: A 12-month period during which an active volunteer member participates in the fire or first aid service and satisfies the minimum requirements of participation established by the Sponsoring Agency on a consistent and uniform basis. Notwithstanding any other provision of the Plan, no period shall be treated as Year of Active Emergency Service with respect to an active volunteer member unless the services rendered by such active volunteer member during such a period are "qualified services" within the meaning of Code.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**A. Description of Plan (Continued)**

4. *Vesting*

The sponsoring agency in accordance with N.J.S.A. 40A:14-188 and N.J.A.C. 5:30-11.63 may make a yearly contribution to the LOSAP Account in the deferred income program for an active volunteer who has satisfied the requirements for receipt of an award, but the volunteer shall not be able to receive a distribution of the funds until the completion of a five year vesting period or be in accordance with changes to vesting conveyed through the issuance of a Local Finance Notice and/or publication of a public notice in the New Jersey Register, with payment of that benefit only being as otherwise permitted by the plan. The foregoing notwithstanding, any funds that may be designated from time to time for payment of this benefit is subject to the claims of the general creditors of the sponsoring agency.

5. *Elections Regarding Distributions*

Each participant (or in the event of death, each beneficiary other than an organization, estate or trust) shall elect when his/her payout will begin and the payout period.

- a. Election regarding time of payment. The election regarding the time when payment will begin shall be made when a participant separates from volunteer service (or dies having separated from service and having previously elected when payment will begin). Once made, the election regarding when payout will begin is irrevocable as to the participant or beneficiary making the election.

The election regarding payment will begin:

- (1) By a participant who separates from volunteer service other than by reason of death, must be made not later than sixty days after separation from service. Payment may begin on the date nearest the first day of the month in which an election is filed with the local plan administrator on forms provided for that purpose, and payment must begin within the time prescribed by Chap. 04-1.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**A. Description of Plan (Continued)**

*5. Elections Regarding Distributions (Continued)*

a. Election regarding time of payment (Continued)

(2) By a beneficiary, other than an organization, estate or trust, where the participant was not already receiving payments, must be made not later than sixty days after the participant's death. Payment may begin on the date nearest the first day of the month in which the election is filed with the local plan administrator on forms provided for that purpose, and payment must begin within the time prescribed by Chap. 04-14.

- b. Election regarding method of payment. The participant (or beneficiary other than an organization, estate or trust) who makes an election regarding the date payment will begin, may also elect the period over which payments will be made. The payout period election may be made either at the time he/she elects a beginning date for payout or at any time not later than sixty days prior to the date payout is to begin. Once having made this election, the participant (or beneficiary, other than an organization, estate or trust) may change the payout period election not later than sixty days prior to the date payout is to begin.

Such a beneficiary may also make this election where the participant was already receiving payments but, as provided in Chap. 4-13(3)(a), must receive distribution at least as rapidly as it was being distributed to the participant. Such a beneficiary must make the payout period election not later than sixty days after the death of the participant and payout will be suspended following the participant's death until the beneficiary either makes a payout period election or begins receiving payment as provided in subsection d. of this section. Provided, if the participant was receiving payout in the form of any annuity contract, then the successor's right shall be limited by the terms of that contract.

- c. How elections are made. A participant or beneficiary makes elections allowed under this section by completing and filing applicable payment request forms with the local plan administrator.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**A. Description of Plan (Continued)**

*5. Elections Regarding Distributions (Continued)*

- d. Consequences in absence of a timely election regarding time of payment. Absent a timely election regarding when payout is to begin, payout will begin on the fifteenth day of the month following the month in which the election period ends, and will be made, in a lump sum if the vested accumulated deferrals as of the end of the election period are less than twenty-five thousand dollars or, if the vested accumulated deferrals are twenty-five thousand dollars or more, in the form of a lifetime annuity with a 15 year certain period or:
- e. Effects of certain employment changes or volunteer service changes. Transfers from the plan are allowed in the circumstances described in Chap. 04-2(2).
- f. Payment to an organization, estate or trust. Any amount payable to an organization, estate or trust shall be paid in a lump sum as prescribed in Chap. 04-13(3).

*6. Plan to Plan Transfers*

- a. Transfers to the Plan. If a Participant was formerly a participant and became vested in an eligible LOSAP with another sponsoring agency, and if such plan permits the direct transfer of the participant's interest therein to the plan, then the plan shall accept assets representing the value of such interest; provided, however, (1) the local plan administrator may require in his sole discretion that some or all of such interest be transferred in cash or its equivalent; and (2) the participant is fully vested in the plan. Such amount shall be held, accounted for, administered and otherwise treated in the same manner as the award deferred by the participant under the current plan.
- b. Transfer from the Plan. The amounts credited to the account of a former participant in the plan may be transferred only if vested to another eligible LOSAP and in which the former participant currently participates, and if such plan provides for the acceptance of such amounts.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**A. Description of Plan (Continued)**

If a participant, prior to payout beginning, accepts a bona fide volunteer position with a sponsoring agency who offers an eligible LOSAP, and the participant becomes a participant in that plan, then accumulated deferrals that are vested may, at the election of the participant and after written notice to the local plan administrator, be transferred to the other plan, provided that plan provides for the acceptance of such transfers.

**B. Summary of Accounting Policies**

1. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

2. *Cash, Cash Equivalents and Investment Valuation and Income Recognition*

The Plan's Cash, Cash Equivalents and Investments are stated at fair value. Quoted prices are based on the Contractors summary and were used to reflect Cash, Cash Equivalents and Investments.

Appreciation and/or depreciation of the valuation of assets are recorded annually as of the end of the year. Income from dividends and interest are recorded on the date of receipt and the gain or loss on the sale of investments is recorded at the time of trade date.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**B. Summary of Accounting Policies (Continued)**

*2. Cash, Cash Equivalents and Investment Valuation and Income Recognition (Continued)*

<u>Investment Vehicle</u>	December 31, 2016 <u>Ending Value</u>
American Funds Growth Fund	\$ 86,054.82
American Funds Growth-Income Fund	1,207.44
American Funds Growth Fund	968.89
Delaware VIP Diversified Income Series	4,166.92
Delaware VIP High Yield Series	701.17
Delaware VIP Small Cap Value Series	1,679.06
Delaware VIP Smid Cap Growth Series	8,125.45
Delaware VIP Value Series	828.00
LVIP Dimensional U.S. Core Equity 1 Fund	25,441.90
Fixed	280,064.17
LVIP Global Growth Allocation Managed Risk Fund	3,550.37
LVIP Baron Growth Opportunities Fund	7,440.34
LVIP Delaware Foundation Aggressive Allocation Fund	4,477.54
LVIP Delaware Bond Fund	3,450.68
LVIP Global Income Fund	1,065.28
LVIP Money Market Fund	6,780.63
LVIP Mondrian International Value Fund	7,922.94
LVIP SSgA S&P 500 Index Fund	365,832.23
LVIP SSgA Emerging Markets 100 Fund	1,793.80
LVIP SSgA International Index Fund	426.10
LVIP SSgA Small-Cap Index Fund	11,096.41
LVIP T. Rowe Price Structured Mid-Cap Growth Fund	1,803.09
Delaware VIP REIT Series	8,978.50
Delaware VIP Small Cap Value Series	25,417.96
LVIP SSGA International Managed Volatility Fund	231.16
LVIP Blended Large Cap Growth Managed Volatility Fund	1,068.49
MFS VIT Utilities Series	33,525.19
Fidelity VIP Growth Portfolio	764.55
Fidelity VIP Contrafund Portfolio	17,983.11
Grand Total	<u>\$ 912,846.19</u>

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**B. Summary of Accounting Policies (Continued)**

3. *Payment of Benefits*

Benefits are recorded when paid.

4. *Contribution from Borough of Milltown*

The contribution for any given year is budgeted for in the next succeeding year and therefore, since no source of funds exists for the applicable years, no receivable is established. The contribution for 2016 of \$58,836.17 was provided for in 2015 and is reflected in this report. The contribution for 2016 of \$76,524.85 which is not reflected in this report was provided for in the 2016 budget and paid in 2017.

The contributions to the program for the last three (3) years are as follows:

		Total		Per Member		
2016	\$	58,836.17	\$	1,168.40	-	\$ 1,269.81
2015		55,422.07		1,168.40	-	1,269.81
2014		63,271.91		1,152.88	-	1,269.81

**C. Investment Contract with Insurance Company**

Contractor – the Lincoln National Life Insurance Company (“Lincoln”), an insurance company authorized by the Commissioner of Banking and Insurance to do business in the State of New Jersey, or such other entity authorized to do business in New Jersey as the Sponsoring Agency designates to provide investments or perform administrative services or both under this Plan.

In 2000, the sponsor entered into an investment contract with Lincoln. The account is credited with earnings on the underlying investments and charged for sponsor withdrawals and administrative expenses charged by Lincoln. The contract is included in the financial statements at contract value (which represents contributions made under the contract plus earnings, less withdrawals and administrative expenses), because it is fully benefit responsive. For example, participants may ordinarily direct the withdrawals or transfer of all or a portion of their investment at contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**D. Related-Party Transactions**

Certain Program investments are shares of mutual funds managed by Lincoln National Life Insurance Company. Lincoln National Life Insurance Company is the administrator as defined by the Program and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Program for the investment management services amounted to \$2,602.08 for the year ended December 31, 2016.

**E. Termination of Plan**

A LOSAP pursuant to N.J.S.A. 40A:14-187 and N.J.A.C. 5:30-11.8 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 pursuant to Chap. 04 of the plan. The participant's deferral will cease.

**F. Amendment of Plan**

The sponsoring agency or local plan administrator may make minor amendments to the provisions of this plan at any time: Provided, however, that no amendment shall affect the rights of participants or their beneficiaries regarding vested accumulated deferrals at the time of the amendment. This plan may only be amended by resolution of the governing body of the sponsoring agency.

**G. Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated August 30, 1986, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

This Plan shall be construed under the laws of the State of New Jersey and is established with the intent it meets the requirements of a "length of service award plan" under section 457(e)(11) of the Code. This Plan and every contract or agreement entered into by the Sponsoring Agency pursuant to this Plan is subject to the rules and regulations of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and such rules and regulations to the extent applicable are made a part hereof.

**BOROUGH OF MILLTOWN**  
**COUNTY OF MIDDLESEX, NEW JERSEY**  
**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016**

**H. Risks and Uncertainties**

The participant invests in various investment securities. Investment securities are exposed to various risks such as interest risk, 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 assets available for benefits.