

*BOROUGH OF VICTORY GARDENS*

*COUNTY OF MORRIS*

*REPORT OF AUDIT*

*2018*

*NISIVOCCIA LLP*  
*CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
REPORT OF AUDIT  
2018

BOROUGH OF VICTORY GARDENS  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2018

<u>PART I - Financial Statements and Supplementary Data</u>	<u>Page</u>
Independent Auditors' Report	1-3
<u>Financial Statements</u>	<u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures – Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet – Regulatory Basis	B
Statement of Fund Balance – Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-1
Statement of Revenue – Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-2
Statement of Expenditures – Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet – Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis	C-1
<u>Water Utility Fund (Not Applicable)</u>	
<u>Sewer Utility Fund (Not Applicable)</u>	
<u>Public Assistance Fund (Not Applicable)</u>	
<u>Bond and Interest Fund (Not Applicable)</u>	
Notes to Financial Statements	<u>Page</u> 1-15
<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash	A-4
Schedule of Cash – Collector	A-5
Schedule of Cash – Grant Funds (Not Applicable)	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Consumer Accounts Receivable (Not Applicable)	A-10
Schedule of 2017 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
<u>Trust Funds</u>	
Schedule of Cash – Treasurer	B-4
Analysis of Cash – Assessment Trust Fund (Not Applicable)	B-5
Schedule of Reserve for Animal Control Fund Expenditures – Animal Control Fund	B-6
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of General Capital Cash	C-3
Schedule of Deferred Charges to Future Taxation – Unfunded (Not Applicable)	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable (Not Applicable)	C-7
Schedule of Serial Bonds Payable (Not Applicable)	C-8
Schedule of Bonds and Notes Authorized but not Issued (Not Applicable)	C-9

BOROUGH OF VICTORY GARDENS  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

<u>PART I - Financial Statements and Supplementary Data (Cont'd)</u>	<u>Schedule</u>
<u>Supplementary Data (Cont'd)</u>	
<u>Water Utility Fund (Not Applicable)</u>	
<u>Sewer Utility Fund (Not Applicable)</u>	
<u>Public Assistance Fund (Not Applicable)</u>	
<u>PART II - Single Audit</u>	<u>Page</u>
Schedule of Expenditures of Federal Awards (Not Applicable)	1
Schedule of Expenditures of State Awards	2
Note to Schedules of Expenditures of Federal and State Awards	3
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Responses	6-7
Summary Schedule of Prior Audit Findings	8-9
<u>PART III - Comments and Recommendations</u>	
Comments and Recommendations	10-13
Summary of Recommendations	14

BOROUGH OF VICTORY GARDENS

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018

## Independent Auditors' Report

The Honorable Mayor and Members  
of the Borough Council  
Borough of Victory Gardens  
Victory Gardens, New Jersey

### **Report on the Financial Statements**

We have audited the financial statements – *regulatory basis* – of the various funds of the Borough of Victory Gardens, in the County of Morris (the "Borough") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, as listed in the foregoing table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Honorable Mayor and Members  
of the Borough Council  
Borough of Victory Gardens  
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the Borough as of December 31, 2018 and 2017, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

***Basis for Qualified Opinion***

The financial statements – *regulatory basis* – of the various funds of the Borough do not include the general fixed assets account group, which should be included to conform with accounting principles prescribed or permitted by the Division. As described in Note 1, the amount that should be recorded in the general fixed assets account group cannot be determined.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects on the December 31, 2018 and 2017 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Victory Gardens as of December 31, 2018 and 2017, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended, on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

The Honorable Mayor and Members  
of the Borough Council  
Borough of Victory Gardens  
Page 3

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

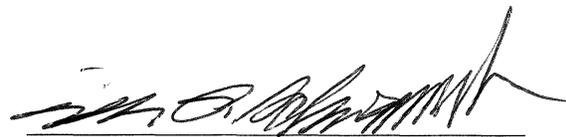
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019 on our consideration of the Borough of Victory Gardens' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Victory Gardens' internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
April 12, 2019

NISIVOCIA LLP



William F. Schroeder  
Certified Public Accountant  
Registered Municipal Accountant No. 452

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
CURRENT FUND

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Cash and Cash Equivalents	A-4	\$ 2,210,123.92	\$ 2,245,860.30
Prepaid Expenses		29,902.00	30,467.00
Due State of New Jersey:			
Senior Citizens' and Veterans' Deductions		371.16	256.16
		<u>2,240,397.08</u>	<u>2,276,583.46</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	47,142.96	55,237.25
Sewer Liens Receivable	A-8	451.38	523.19
Revenue Accounts Receivable	A-9	9,724.24	12,593.22
Due from Animal Control Trust Fund	B	1,168.20	
		<u>58,486.78</u>	<u>68,353.66</u>
TOTAL ASSETS		<u>\$ 2,298,883.86</u>	<u>\$ 2,344,937.12</u>

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
(Continued)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 146,256.35	\$ 129,173.33
Due to State of New Jersey:			
Marriage License Fees		50.00	125.00
Building Surcharge Fees			54.00
Prepaid Taxes		13,567.10	20,517.61
Tax Overpayments		4,171.72	4,348.02
Reserve for:			
School Taxes Payable		1,031,843.42	1,079,843.42
Landfill Costs		308,533.98	308,533.98
Appropriated Grant Funds:			
Clean Communities Program		2,117.64	1,082.78
Recycling Tonnage		4,479.62	2,277.51
Unappropriated Grant Funds:			
Recycling Tonnage			2,202.11
Alcohol Education & Rehabilitation Grant		73.23	
		<u>1,511,093.06</u>	<u>1,548,157.76</u>
Reserve for Receivables and Other Assets	A	58,486.78	68,353.66
Fund Balance	A-1	<u>729,304.02</u>	<u>728,425.70</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><u>\$ 2,298,883.86</u></u>	<u><u>\$ 2,344,937.12</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2018	2017
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 339,500.00	\$ 348,500.00
Miscellaneous Revenue Anticipated		334,604.11	309,806.54
Receipts from:			
Delinquent Taxes		60,451.73	53,298.68
Current Taxes		1,771,128.73	1,715,990.62
Nonbudget Revenue		25,486.34	31,342.19
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		104,133.38	162,168.39
Local School District Taxes Cancelled		0.52	0.02
		<u>2,635,304.81</u>	<u>2,621,106.44</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		1,175,087.11	1,178,384.05
County Taxes		186,673.18	187,988.04
Local School District Taxes		931,998.00	895,832.00
Refund of Prior Year Revenue			27.72
Interfunds and Other Receivables Advanced		1,168.20	
		<u>2,294,926.49</u>	<u>2,262,231.81</u>
Excess in Revenue		<u>340,378.32</u>	<u>358,874.63</u>
<u>Fund Balance</u>			
Balance January 1		728,425.70	718,051.07
		1,068,804.02	1,076,925.70
Decreased by:			
Utilized as Anticipated Revenue		339,500.00	348,500.00
Balance December 31	A	<u>\$ 729,304.02</u>	<u>\$ 728,425.70</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 339,500.00		\$ 339,500.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,000.00		5,000.00	\$ 1,000.00
Fines and Costs:				
Municipal Court	8,200.00		4,975.52	3,224.48 *
Interest and Costs on Taxes	8,000.00		10,138.88	2,138.88
Interest on Investments and Deposits	4,000.00		23,728.55	19,728.55
Sewer Rents	130,000.00		143,581.05	13,581.05
Consolidated Municipal Property Tax Relief Aid	14,884.00		14,884.00	
Energy Receipts Tax	58,822.00		58,822.00	
Uniform Construction Code Fees	7,000.00		7,872.00	872.00
Clean Communities Program	4,000.00		4,000.00	
Recycling Tonnage	2,202.11		2,202.11	
Uniform Fire Safety Act	1,400.00		1,400.00	
Reserve for School Taxes	48,000.00		48,000.00	
Capital Fund Balance	10,000.00		10,000.00	
	<u>300,508.11</u>		<u>334,604.11</u>	<u>34,096.00</u>
Receipts from Delinquent Taxes	<u>36,000.00</u>		<u>60,451.73</u>	<u>24,451.73</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>699,782.89</u>		<u>853,161.44</u>	<u>153,378.55</u>
Budget Totals	<u>1,375,791.00</u>		<u>1,587,717.28</u>	<u>\$ 94,830.82</u>
Nonbudget Revenue			<u>25,486.34</u>	
	<u>\$ 1,375,791.00</u>	<u>\$ -0-</u>	<u>\$ 1,613,203.62</u>	

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 1,771,128.73
Allocated to County and Local School District Taxes		1,118,671.18
Balance for Support of Municipal Budget		652,457.55
 Add: Appropriation "Reserve for Uncollected Taxes"		 200,703.89
Realized for Support of Municipal Budget		\$ 853,161.44

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 55,737.22	
Tax Title Lien Collections	4,714.51	
		\$ 60,451.73

Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:

Treasurer:

Cable TV Franchise Fees	\$ 12,380.00	
Auction Proceeds	4,000.00	
Road Opening Fees	100.00	
Phone Franchise Fees	3,730.86	
Board of Health - Other Licenses and Fees	950.00	
Randolph Sewer Transmission Fees	284.06	
Certified Copies	60.00	
Marriage Licenses - Municipal Share	116.00	
OPRA Requests	21.55	
Planning Board Applications	200.00	
Certified Lists	20.00	
Scrap Metal Recycling	628.00	
Prior Year Refunds	1,211.59	
Homestead Rebate Administrative Reimbursement	44.40	
Other Miscellaneous Revenue	565.68	
		\$ 24,312.14

Tax Collector:

Other Miscellaneous Revenue		6.00
Due from Animal Control Fund - Statutory Excess in Reserve for Animal Control Expenditures		1,168.20
		\$ 25,486.34

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations Within "CAPS":				
GENERAL GOVERNMENT:				
Mayor and Council:				
Salaries and Wages	\$ 32,600.00	\$ 32,600.00	\$ 32,108.97	\$ 491.03
Other Expenses	1,550.00	1,550.00	1,550.00	
Municipal Clerk:				
Salaries and Wages	114,700.00	114,700.00	112,518.18	2,181.82
Other Expenses	29,000.00	29,000.00	15,097.50	13,902.50
Financial Administration:				
Salaries and Wages	20,800.00	20,800.00	20,175.99	624.01
Other Expenses	6,400.00	6,400.00	2,787.52	3,612.48
Annual Audit	32,500.00	32,500.00	32,500.00	
Revenue Administration (Tax Collection):				
Salaries and Wages	7,600.00	7,600.00	7,368.00	232.00
Other Expenses	3,500.00	3,500.00	2,715.07	784.93
Tax Assessment Administration:				
Salaries and Wages	8,700.00	8,700.00	8,460.00	240.00
Other Expenses	1,000.00	1,000.00	612.32	387.68
Legal Services and Costs:				
Other Expenses	54,500.00	54,500.00	39,155.42	15,344.58
Engineering Services and Costs:				
Other Expenses	28,500.00	28,500.00	18,231.84	10,268.16

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations Within "CAPS" (Continued):				
GENERAL GOVERNMENT:				
Municipal Land Use Law (N.J.S.A.40:55D-1):				
Planning Board:				
Other Expenses	\$ 3,150.00	\$ 3,150.00	\$ 786.33	\$ 2,363.67
Zoning Official:				
Salaries and Wages	7,350.00	7,350.00	7,328.04	21.96
Insurance:				
Group Insurance Plan for Employees	60,700.00	60,700.00	53,550.80	7,149.20
Other Insurance Premiums	59,000.00	59,000.00	59,000.00	
PUBLIC SAFETY:				
Emergency Management:				
Other Expenses	510.00	510.00		510.00
Fire:				
Aid to Volunteer Fire Companies	36,490.00	36,490.00	33,000.00	3,490.00
Other Expenses	9,700.00	9,700.00	7,308.70	2,391.30
Other Expenses - Fire Hydrants	4,850.00	4,850.00	4,485.00	365.00
Uniform Fire Safety:				
Other Expenses	1,000.00	1,000.00	1,000.00	
PUBLIC WORKS:				
Road Repair and Maintenance:				
Salaries and Wages	117,000.00	117,000.00	110,008.26	6,991.74
Other Expenses	60,000.00	60,000.00	28,639.50	31,360.50
Traffic Lights	1,600.00	1,600.00		1,600.00

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations Within "CAPS" (Continued):				
<b>PUBLIC WORKS:</b>				
Garbage and Trash Removal	\$ 130,000.00	\$ 130,000.00	\$ 128,499.96	\$ 1,500.04
Public Buildings and Grounds:				
Other Expenses	20,000.00	20,000.00	15,500.05	4,499.95
Property Maintenance:				
Salaries and Wages	15,100.00	15,100.00	15,047.99	52.01
Other Expenses	900.00	900.00		900.00
<b>HEALTH AND HUMAN SERVICES:</b>				
Board of Health:				
Other Expenses	500.00	500.00		500.00
Health Services:				
Contractual	24,500.00	24,500.00	24,290.00	210.00
Dog Regulation:				
Other Expenses	9,600.00	9,600.00	9,109.00	491.00
<b>PARKS AND RECREATION:</b>				
Recreation and Education:				
Other Expenses	3,600.00	3,600.00	632.17	2,967.83
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>				
Utilities				
Street Lighting	26,000.00	26,000.00	18,705.92	7,294.08
Municipal Court:				
Other Expenses	10,500.00	10,500.00	6,875.03	3,624.97
	20,435.00	20,435.00	20,244.51	190.49

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations Within "CAPS" (Continued):				
UNIFORM CONSTRUCTION CODE:				
Inspection of Buildings:				
Salaries and Wages	\$ 21,000.00	\$ 21,000.00	\$ 20,536.00	\$ 464.00
Other Expenses	1,050.00	1,050.00		1,050.00
Total Operations Within "CAPS"	985,885.00	985,885.00	857,828.07	128,056.93
Detail:				
Salaries and Wages	344,850.00	344,850.00	333,551.43	11,298.57
Other Expenses	641,035.00	641,035.00	524,276.64	116,758.36
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":				
Statutory Expenditures:				
Contributions to:				
Public Employees' Retirement System	28,000.00	28,000.00	27,855.00	145.00
Social Security System (O.A.S.I.)	27,000.00	27,000.00	25,015.39	1,984.61
Unemployment Insurance	3,000.00	3,000.00	1,676.14	1,323.86
Defined Contribution Retirement Program	1,500.00	1,500.00	1,387.05	112.95
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	59,500.00	59,500.00	55,933.58	3,566.42
Total General Appropriations for Municipal Purposes Within "CAPS"	1,045,385.00	1,045,385.00	913,761.65	131,623.35

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations Excluded from "CAPS":				
Rockaway Valley Regional Sewerage Authority:				
Share of Costs	\$ 96,000.00	\$ 96,000.00	\$ 92,817.00	\$ 3,183.00
911 Costs	10,000.00	10,000.00	5,050.00	4,950.00
State and Federal Programs Offset by Revenue:				
Clean Communities Program Grant	4,000.00	4,000.00	4,000.00	
Recycling Tonnage Grant	2,202.11	2,202.11	2,202.11	
Municipal Alliance Grant - Local Share	1,000.00	1,000.00	1,000.00	
<b>Total Operations Excluded from "CAPS"</b>	<b>113,202.11</b>	<b>113,202.11</b>	<b>105,069.11</b>	<b>8,133.00</b>
Detail:				
Other Expenses	113,202.11	113,202.11	105,069.11	8,133.00
Capital Improvements - Excluded from "CAPS":				
Capital Improvement Fund	10,000.00	10,000.00	10,000.00	
Drainage Improvements	5,000.00	5,000.00		5,000.00
Recreation Improvements	1,500.00	1,500.00		1,500.00
<b>Total Capital Improvements - Excluded from "CAPS"</b>	<b>16,500.00</b>	<b>16,500.00</b>	<b>10,000.00</b>	<b>6,500.00</b>

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Total General Appropriations Excluded from "CAPS"	\$ 129,702.11	\$ 129,702.11	\$ 115,069.11	\$ 14,633.00
Subtotal General Appropriations	1,175,087.11	1,175,087.11	1,028,830.76	146,256.35
Reserve for Uncollected Taxes	200,703.89	200,703.89	200,703.89	
Total General Appropriations	\$ 1,375,791.00	\$ 1,375,791.00	\$ 1,229,534.65	\$ 146,256.35

Ref.

A

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Analysis of	
	Budget After Modification	Paid or Charged
Adopted Budget	\$ 1,375,791.00	
Adopted Budget	\$ 1,375,791.00	
Reserve for Uncollected Taxes		\$ 200,703.89
Reserve for Appropriated Grants		6,202.11
Prepaid Expenses Applied		30,467.00
Cash Disbursed		1,021,548.47
		1,258,921.47
Less: Appropriation Refunds		29,386.82
		\$ 1,229,534.65

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
TRUST FUNDS

BOROUGH OF VICTORY GARDENS  
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31,	
	Ref.	2018	2017
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 2,895.60	\$ 1,755.60
		2,895.60	1,755.60
Other Trust Funds:			
Cash and Cash Equivalents	B-4	56,212.11	53,067.53
		56,212.11	53,067.53
<b>TOTAL ASSETS</b>		<b>\$ 59,107.71</b>	<b>\$ 54,823.13</b>
 <u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 1,168.20	
Reserve for Animal Control Expenditures	B-6	1,727.40	\$ 1,755.60
		2,895.60	1,755.60
Other Trust Funds:			
Reserve for:			
Local Enforcement Agency Inspection Fees		28,772.21	26,408.46
Escrow - Engineering Fees		4,197.90	2,359.07
P.O.A.A.		42.00	
Tax Sale Premiums		23,200.00	24,300.00
		56,212.11	53,067.53
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>\$ 59,107.71</b>	<b>\$ 54,823.13</b>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
ASSESSMENT TRUST FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
GENERAL CAPITAL FUND

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 853,674.86	\$ 884,322.33
Community Development Block Grant Receivable			60,000.00
<b>TOTAL ASSETS</b>		<u>\$ 853,674.86</u>	<u>\$ 944,322.33</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 318,436.21	\$ 334,083.68
Capital Improvement Fund	C-6	193,348.53	258,348.53
Reserve for:			
Fire and Other Miscellaneous Equipment		93,634.34	93,634.34
Drainage Improvements		60,267.60	60,267.60
Garage Roof Improvements		55,417.50	55,417.50
Retaining Wall Improvements		10,500.00	10,500.00
Camera System		8,000.00	8,000.00
Playground Reconstruction		83.00	83.00
Recreation Improvements		3,000.00	3,000.00
Fund Balance	C-1	110,987.68	120,987.68
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u>\$ 853,674.86</u>	<u>\$ 944,322.33</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 120,987.68
Decreased by:		
Current Fund Budget Revenue Realized		<u>10,000.00</u>
Balance December 31, 2018	C	<u><u>\$ 110,987.68</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF VICTORY GARDENS

COUNTY OF MORRIS

2018

WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS

COUNTY OF MORRIS

2018

SEWER UTILITY FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
BOND AND INTEREST FUND  
(UNAUDITED)

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Victory Gardens include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Victory Gardens, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Victory Gardens do not include the operations of the volunteer fire department.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Victory Gardens conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Victory Gardens accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the Current Fund when it is received and in the General Capital Fund when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally on the accrual basis, based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Borough of Victory Gardens' financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Borough's net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

D. Deferred Charges to Future Taxation

The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by loans or by capital lease purchase agreements.

E. Other significant accounting policies include

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

General Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

F. Budget/Budgetary Control

An annual appropriated budget is usually prepared in the first quarter for the Current Operating Fund. The budget is submitted to the governing body and the Division of Local Government Services. The budget is prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2018	2017	2016
<u>Issued</u>			
General:			
Bonds and Notes	\$ - 0 -	\$ - 0 -	\$ - 0 -
Net Debt Issued	- 0 -	- 0 -	- 0 -
<u>Authorized but not Issued:</u>			
Bonds and Notes	- 0 -	- 0 -	- 0 -
 Net Bonds and Notes Issued and Authorized but not Issued	 \$ - 0 -	 \$ - 0 -	 \$ - 0 -

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.00%.

	<u>Gross Debt</u>	<u>Deduction</u>	<u>Net Debt</u>
Local School District Debt	\$ - 0 -	\$ - 0 -	\$ - 0 -
General Debt	- 0 -	- 0 -	- 0 -
	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Net Debt of \$-0- divided by Average Equalized Valuations of \$70,594,900 of real property = 0.00%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$	2,470,822
Net Debt		- 0 -
Remaining Borrowing Power	\$	2,470,822

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

At December 31, 2018, the Borough of Victory Gardens has no municipal debt outstanding.

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$699,940 at December 31, 2017. See Note 6 for further information on PERS.

Note 3: Fund Balance Appropriated

The amount of fund balance as of December 31, 2018 which was included in the Current Fund introduced budget for the year ending December 31, 2019 was \$375,000.

Note 4: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough of Victory Gardens has elected not to defer school taxes.

Note 5: Reserve for School Taxes Payable

As of June 30, 2009, the State of New Jersey ordered that the Borough of Victory Gardens Board of Education (the "Board of Education"), a non-operating school district, cease its operations. The State also mandated that any Board of Education residual assets (after the final audit of the Board of Education was completed and any remaining liabilities such as adjustments to the tuition payment to the sending District were liquidated) be turned over to the Borough so as to be used for future tax relief. As of December 31, 2018, \$1,031,843 is available to be used to offset future taxes.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 6: Pension Plans

Borough employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee’s Retirement System (PERS).

A. Public Employees’ Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$27,855 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2017, the Borough's liability was \$699,940 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0030%, which was an increase of 0.0001% from its proportion measured as of June 30, 2016. For the year ended December 31, 2018, the Borough recognized actual pension expense in the amount of \$27,855. The Borough has rolled forward the net pension liability to December 31, 2017 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2017 pension information in the Notes to the Financial Statements as the June 30, 2018 pension information has not been released as of the date of this audit.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions.

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equit	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the collective net pension liability as of December 31, 2017 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
Borough's proportionate share of the Net Pension Liability	\$ 868,323	\$ 699,940	\$ 559,656

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution. For DCRP, the Borough recognized pension expense of \$1,387 for the year ended December 31, 2018. Employee contributions to DCRP amounted to \$2,360 for the year ended December 31, 2018.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 7: Accrued Sick and Vacation Benefits

The Borough does not permit the accrual of unused vacation days; however, the Borough has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date or at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$27,041. This amount is not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current year and prior year may be placed in lien at a tax sale held after December.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	\$ 2.576	\$ 2.509	\$ 2.50
<u>Apportionment of</u>			
<u>Tax Rate</u>			
Municipal	0.991	0.974	0.954
County	0.265	0.267	0.261
Local School	1.320	1.268	1.285
<u>Assessed Valuations</u>			
2018	\$ 70,594,900		
2017		\$ 70,644,900	
2016			\$ 70,665,000

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies. Please see table on following page:

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 8: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections Currently (Cont'd)

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 1,818,525	\$ 1,771,129	97.39%
2017	1,772,481	1,715,991	96.81%
2016	1,767,332	1,711,422	96.83%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 9: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB, requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Borough ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Borough limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk requires that the Borough ensures that Borough funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Deposits: (Cont'd)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Borough to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

(8) Agreements for the repurchase of fully collateralized securities if:

- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
- (b) the custody of collateral is transferred to a third party;
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2018, cash and cash equivalents of the Borough of Victory Gardens consisted of the following:

<u>Fund</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 2,210,123.92	\$ 2,210,123.92
Animal Control	2,895.60	2,895.60
Other Trust	56,212.11	56,212.11
General Capital	853,674.86	853,674.86
	<u>\$ 3,122,906.49</u>	<u>\$ 3,122,906.49</u>

During the year ended December 31, 2018, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2018, was \$3,122,906 and the bank balance was \$3,181,207.

Note 10: Deferred Compensation Plan

The Borough of Victory Gardens offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by the Lincoln National Life Insurance Company, is available to all Borough employees and permits participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

BOROUGH OF VICTORY GARDENS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 11: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits and prescription plans are provided through the State Health Benefits Program.

Property and Liability Insurance - The Borough maintains commercial insurance coverage for property, liability and surety bonds.

New Jersey Unemployment Compensation Insurance - The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough is required to remit employee withholdings to the State on a quarterly basis. All of the Borough's claims are paid by the State.

Note 12: Contingent Liabilities

The Borough is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Borough vigorously contests these lawsuits and believes the ultimate resolution would not have a material adverse effect on its financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Note 13: Economic Dependency

The Borough receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Borough's programs and activities.

SUPPLEMENTARY DATA

BOROUGH OF VICTORY GARDENS  
OFFICIALS IN OFFICE AND SURETY BONDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

The following officials were in office during the period under audit:

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
David Holeman, Jr.	Mayor		
Vera Cheatham	Councilwoman		
Ondria Garcia-Montes	Councilwoman		
Tara White	Councilwoman		
Kendyll Hedgepath	Councilwoman		
James Glass	Councilman		
Ismael Lorenzo	Councilman		
Charles J. Wood, Jr.	Financial Consultant		
Derek J. Macchia	Chief Financial Officer (To August 2018)	\$ 80,000	Henry O. Baker Insurance
Joseph P. Costantino	Chief Financial Officer (From September 2018)	80,000	Henry O. Baker Insurance
Deborah Evans	Borough Administrator; Borough Clerk	(A)	Henry O. Baker Insurance
Deborah Devery	Deputy Borough Clerk	(A)	
Lorraine Benderoth	Tax Collector	142,000	Henry O. Baker Insurance
Philip Feintuch	Borough Attorney		
Mark Burek	Tax Assessor	(A)	Henry O. Baker Insurance
Anderson & Denzler	Engineer		
Philip Tabaygo	Building Inspector	(A)	Henry O. Baker Insurance
Gerald Flatt	Animal Control Officer	(A)	Henry O. Baker Insurance

(A) - In addition to the bonds listed, there was a Public Employees' Faithful Performance Blanket Position Bond with Henry O. Baker Insurance covering all employees except those separately bonded for \$130,000.

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
CURRENT FUND

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 2,245,860.30
Increased by Receipts:		
Tax Collector	\$ 1,954,023.33	
Revenue Accounts Receivable	102,953.52	
Miscellaneous Revenue Not Anticipated	24,312.14	
Interest on Investments and Deposits	23,728.55	
Grant Receivable:		
Clean Communities	4,000.00	
Unappropriated Grant Reserves		
Alcohol Education & Rehabilitation Grant	73.23	
Due to State of New Jersey:		
Senior Citizens' and Veterans' Deductions	4,885.00	
Homestead Rebate Deductions	26,836.78	
Marriage License Fees	425.00	
Building Surcharge Fees	324.00	
Appropriation Refunds	29,386.82	
	2,170,948.37	2,170,948.37
		4,416,808.67
Decreased by Disbursements:		
2018 Appropriation Expenditures	1,021,548.47	
2017 Appropriation Reserve Expenditures	25,039.95	
Local School District Taxes	931,997.48	
County Taxes	186,673.18	
Prepaid Expenses	29,902.00	
Reserve for Appropriated Grant Funds:		
Clean Communities	2,965.14	
Refund of:		
Tax Overpayments	3,763.58	
Sewer Overpayments	190.00	
Third Party Tax Title Liens	3,726.95	
Due to State of New Jersey:		
Marriage License Fees	500.00	
Building Surcharge Fees	378.00	
	2,206,684.75	2,206,684.75
Balance December 31, 2018	A	\$ 2,210,123.92

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2018

## Increased by Receipts:

Current Year Taxes Receivable	\$ 1,717,887.82	
Prior Year Taxes Receivable	55,737.22	
Tax Title Liens Receivable	4,714.51	
Interest and Costs on Taxes	10,138.88	
2019 Prepaid Taxes	13,567.10	
Tax Overpayments	4,473.80	
Third Party Lien Certificates	3,726.95	
Miscellaneous Revenue Not Anticipated	6.00	
Sewer Maintenance Rents	143,581.05	
Sewer Rents Overpayments	190.00	
	<hr/>	\$ 1,954,023.33

## Decreased by:

Payments to Municipal Treasurer	<hr/> <hr/>	\$ 1,954,023.33
---------------------------------	-------------	-----------------

CURRENT FUND  
SCHEDULE OF CASH - GRANT FUNDS  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2017	2018 Levy	Added Taxes	2017	2018	Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Homestead Rebate Deductions	Canceled	Balance Dec. 31, 2018
2017	\$ 55,237.25		\$ 500.00	\$ 20,517.61	\$ 55,737.22	\$ 886.52	\$ 5,000.00	\$ 26,836.78	\$ 0.03	\$ 47,142.96
2018	\$ 55,237.25	\$ 1,818,524.59	\$ 500.00	\$ 20,517.61	\$ 1,717,887.82	\$ 886.52	\$ 5,000.00	\$ 26,836.78	\$ 252.90	\$ 47,142.96
		\$ 1,818,524.59	\$ 500.00	\$ 20,517.61	\$ 1,773,625.04	\$ 886.52	\$ 5,000.00	\$ 26,836.78	\$ 252.93	\$ 47,142.96

Ref. A

Analysis of 2018 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 1,818,524.59
Tax Levy:	
Local School District Taxes	931,998.00
County Taxes	186,673.18
	<u>1,118,671.18</u>
Local Tax for Municipal Purposes Levied	\$ 699,782.89
Add: Additional Tax Levied	<u>70.52</u>
	<u>699,853.41</u>
	<u>\$ 1,818,524.59</u>

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF SEWER LIENS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>		
Balance December 31, 2017	A	\$	523.19
Increased by:			
Interest and Costs		\$	2,742.70
Sewer Charges Accrued			1,900.00
			<u>4,642.70</u>
			5,165.89
Decreased by:			
Cash Collections			<u>4,714.51</u>
Balance December 31, 2018	A	\$	<u><u>451.38</u></u>

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance	Accrued in	Collected by		Balance
	Dec. 31, 2017	2018	Collector	Treasurer	Dec. 31, 2018
Licenses:					
Alcoholic Beverages		\$ 5,000.00	\$ 5,000.00		
Fines and Costs:					
Municipal Court	\$ 212.62	4,762.90		4,975.52	
Sewer Rents	12,380.60	140,924.69	\$ 143,581.05		\$ 9,724.24
Energy Receipts Tax		58,822.00		58,822.00	
Municipal Property Tax Assistance		14,884.00		14,884.00	
Uniform Construction Code Fees		7,872.00		7,872.00	
Uniform Fire Safety Act		1,400.00		1,400.00	
Capital Fund Balance		10,000.00		10,000.00	
	<u>\$ 12,593.22</u>	<u>\$ 243,665.59</u>	<u>\$ 143,581.05</u>	<u>\$ 102,953.52</u>	<u>\$ 9,724.24</u>
<u>Ref.</u>	A				A
Sewer Rents Billings	\$ 142,824.69				
Transfer to Liens	(1,900.00)				
Accrued	<u>\$ 140,924.69</u>				

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed
Mayor and Council:				
Salaries and Wages	\$ 310.06	\$ 310.06		\$ 310.06
Other Expenses	1,209.35	1,209.35		1,209.35
Municipal Clerk:				
Salaries and Wages	3,189.11	3,189.11	\$ 38.63	3,150.48
Other Expenses	14,976.80	14,976.80	4,066.46	10,910.34
Financial Administration:				
Salaries and Wages	501.96	501.96		501.96
Other Expenses	1,235.00	1,235.00	29.99	1,205.01
Annual Audit	1,760.00	1,760.00	895.00	865.00
Revenue Administration (Tax Collection):				
Salaries and Wages	229.00	229.00		229.00
Other Expenses	855.79	855.79		855.79
Tax Assessment Administration:				
Salaries and Wages	258.00	258.00		258.00
Other Expenses	397.88	397.88	9.68	388.20
Legal Services and Costs:				
Other Expenses	132.19	132.19		132.19
Engineering Services and Costs:				
Other Expenses	4,155.65	4,155.65	987.90	3,167.75
Municipal Land Use Law (NJSA 40:55D-1 et seq):				
Planning Board:				
Other Expenses	582.52	582.52		582.52
Other Expenses - Master Plan	971.58	971.58	204.00	767.58
Zoning Official:				
Salaries and Wages	15.97	15.97		15.97
Insurance:				
Group Insurance Plan for Employees	7,173.52	7,173.52		7,173.52
Other Insurance Premiums	1,419.00	1,419.00	282.00	1,137.00
Emergency Management:				
Other Expenses	510.00	510.00		510.00
Fire:				
Aid to Volunteer Fire Companies	3,750.00	3,750.00		3,750.00
Other Expenses	3,385.21	3,385.21	848.02	2,537.19
Other Expenses - Fire Hydrants	315.00	315.00		315.00

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed
Uniform Fire Safety:				
Other Expenses	\$ 1,000.00	\$ 1,000.00		\$ 1,000.00
Road Repair and Maintenance:				
Salaries and Wages	13,373.52	13,373.52	\$ 707.70	12,665.82
Other Expenses	4,813.04	4,813.04	1,042.92	3,770.12
Traffic Lights	1,530.00	1,530.00		1,530.00
Garbage and Trash Removal	0.04	0.04		0.04
Public Buildings and Grounds:				
Other Expenses	2,104.71	2,104.71	75.00	2,029.71
Property Maintenance:				
Salaries and Wages	198.03	198.03		198.03
Other Expenses	1,200.00	1,200.00		1,200.00
Board of Health:				
Other Expenses	500.00	500.00		500.00
Health Services:				
Contractual	186.00	186.00		186.00
Dog Regulation:				
Other Expenses	665.80	665.80	355.00	310.80
Recreation and Education:				
Other Expenses	1,502.58	1,502.58	641.80	860.78
Utility Expenses and Bulk Purchases:				
Utilities	7,092.52	7,092.52	2,692.83	4,399.69
Street Lighting	1,371.64	1,371.64	1,371.64	
Municipal Court:				
Other Expenses	202.04	202.04		202.04
Inspection of Buildings:				
Salaries and Wages	521.94	521.94		521.94
Other Expenses	740.57	740.57		740.57
Contribution to:				
Public Employees' Retirement System	654.00	654.00	223.50	430.50
Social Security System (O.A.S.I.)	2,261.21	2,261.21	57.09	2,204.12
Unemployment Insurance	1,850.59	1,850.59	78.57	1,772.02
Defined Contribution Retirement Program	399.51	399.51	348.72	50.79

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Rockaway Valley Regional Sewerage Authority:				
Share of Costs	\$ 16,822.00	\$ 16,822.00	\$ 10,083.50	\$ 6,738.50
911 Costs	16,350.00	16,350.00		16,350.00
Drainage Improvements	5,000.00	5,000.00		5,000.00
Playground Reconstruction	1,500.00	1,500.00		1,500.00
	<u>\$ 129,173.33</u>	<u>\$ 129,173.33</u>	<u>\$ 25,039.95</u>	<u>\$ 104,133.38</u>

Ref.           A

BOROUGH OF VICTORY GARDENS  
CURRENT FUND  
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	
Increased by:		
Levy - Calendar Year 2018		\$ 931,998.00
Decreased by:		
Payments to Local School District	\$ 931,997.48	
Local School District Taxes Cancelled	0.52	
		\$ 931,998.00
Balance December 31, 2018	A	\$ -0-

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
TRUST FUNDS

BOROUGH OF VICTORY GARDENS  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2017	B	\$ 1,755.60	\$ 53,067.53
Increased by Receipts:			
State Registration Fees		\$ 186.60	
Animal Control:			
License Fees		725.40	
Late Fees and Miscellaneous		414.60	
Local Enforcement Agency:			
Inspection Fees			\$ 3,815.75
Engineering Escrow Deposits			4,123.55
P.O.A.A. Deposits			42.00
		<u>1,326.60</u>	<u>7,981.30</u>
		3,082.20	61,048.83
Decreased by Disbursements:			
NJ State Board of Health		186.60	
Local Enforcement Agency Expenditures			1,452.00
Engineering Escrow			2,284.72
Tax Sale Premiums			1,100.00
		<u>186.60</u>	<u>4,836.72</u>
Balance December 31, 2018	B	<u>\$ 2,895.60</u>	<u>\$ 56,212.11</u>

BOROUGH OF VICTORY GARDENS  
ASSESSMENT TRUST FUND  
ANALYSIS OF CASH  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 1,755.60
Increased by:		
Animal Control License Fees Collected		\$ 725.40
Late Fees Collected		414.60
		1,140.00
		2,895.60
Decreased by:		
Statutory Excess Due to Current Fund		1,168.20
		1,168.20
Balance December 31, 2018	B	\$ 1,727.40

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 828.00
2017	899.40
	1,727.40
Maximum Allowable Reserve	\$ 1,727.40

BOROUGH OF VICTORY GARDENS  
COUNTY OF MORRIS  
2018  
GENERAL CAPITAL FUND

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 884,322.33
Increased by Receipts:		
2018 Budget Appropriations:		
Capital Improvement Fund		\$ 10,000.00
Community Development Block Grants Receivable		60,000.00
		70,000.00
		954,322.33
Decreased by:		
Due Current Fund:		
Capital Fund Balance - Revenue Realized		10,000.00
Improvement Authorization Expenditures		90,647.47
		100,647.47
Balance December 31, 2018	C	\$ 853,674.86

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2017	Receipts		Disbursements		Transfers		Balance Dec. 31, 2018
		Budget Appropriations	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Capital Fund Balance	\$ 120,987.68							\$ 110,987.68
Capital Improvement Fund	258,348.53	\$ 10,000.00			\$ 10,000.00			193,348.53
Community Development Block Grant Receivable	(60,000.00)		\$ 60,000.00					
Reserve for:								
Fire and Other Miscellaneous Equipment	93,634.34							93,634.34
Drainage Improvements	60,267.60							60,267.60
Garage Roof Improvements	55,417.50							55,417.50
Retaining Wall Improvements	10,500.00							10,500.00
Camera System	8,000.00							8,000.00
Playground Reconstruction	83.00							83.00
Recreation Improvements	3,000.00							3,000.00
Ordinance								
Date								
05/22/01	260,568.72			\$ 12,630.00				247,938.72
04/25/17	2,539.90							2,539.90
09/12/17	55,000.00			47,054.00				7,946.00
09/26/17	15,975.06			15,223.47				751.59
04/10/18				15,740.00			\$ 75,000.00	59,260.00
	\$ 884,322.33	\$ 10,000.00	\$ 60,000.00	\$ 90,647.47	\$ 10,000.00	\$ 75,000.00	\$ 75,000.00	\$ 853,674.86

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2017 Funded	2018 Authorizations		Paid or Charged	Balance Dec. 31, 2018 Funded
				Capital Improvement Fund			
Reconstruction of Borough Hall	05/22/01	1,000,000.00	\$ 260,568.72		\$ 12,630.00	\$ 247,938.72	
Purchase of a Leaf Loader	4/25/17	10,000.00	2,539.90			2,539.90	
Purchase Truck for DPW	9/12/17	55,000.00	55,000.00		47,054.00	7,946.00	
Renovate Playground	9/26/17	95,000.00	15,975.06		15,223.47	751.59	
Renovate Firehouse	4/10/18	75,000.00		\$ 75,000.00	15,740.00	59,260.00	
			<u>\$ 334,083.68</u>	<u>\$ 75,000.00</u>	<u>\$ 90,647.47</u>	<u>\$ 318,436.21</u>	

Ref. C

C

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 258,348.53
Increased by:		
2018 Budget Appropriation		10,000.00
		<u>268,348.53</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations		75,000.00
		<u>75,000.00</u>
Balance December 31, 2018	C	<u><u>\$ 193,348.53</u></u>

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS

COUNTY OF MORRIS

2018

WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS

COUNTY OF MORRIS

2018

SEWER UTILITY FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS

COUNTY OF MORRIS

2018

PUBLIC ASSISTANCE FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS

PART II

SINGLE AUDIT

YEA ENDED DECEMBER 31, 2018

BOROUGH OF VICTORY GARDENS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2018

Name of Federal Agency or Department	Name of Program	C.F.D.A. Account Number	Pass Through Entity ID	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Housing and Urban Development: (Passed through New Jersey Department of Community Affairs)	Community Development Block Grant:									
	Playground Renovation	14.218	N/A	01/01/17	12/31/17	\$ 60,000.00	\$ 60,000.00	60,000.00 *	\$ 120,000.00	
Total U.S. Department of Housing and Urban Development						60,000.00	60,000.00	60,000.00	120,000.00	
Total Federal Awards						\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 120,000.00	\$ -0-

\* - Prior year expenditure

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF VICTORY GARDENS  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2018

Name of State Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities	765-042-4900-	01/01/17	12/31/18	\$ 4,000.00	\$ 4,000.00	\$ 1,082.78	\$ 4,000.00
		004-178910	01/01/18	12/31/19	4,000.00	\$ 4,000.00	1,882.36	1,882.36
Total Clean Communities								
Total Department of Environmental Protection								
Department of Health & Senior Services	Alcohol Education Rehabilitation Program	760-098-9735						
		001-060000	01/01/18	12/31/19	73.23	73.23		
Total Department of Health & Senior Services								
Total State Awards								
						\$ 4,073.23	\$ 2,965.14	\$ 5,882.36

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF VICTORY GARDENS  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2018

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) includes the federal and state grant activity of the Borough of Victory Gardens under programs of the federal and state governments for the year ended December 31, 2018. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular NJOMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The Borough has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-298-8500 | 973-298-8501 Fax  
 Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

Report on Internal Control Over Financial Reporting  
 and on Compliance and Other Matters Based on an Audit of Financial Statements  
 Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Honorable Mayor and Members  
 of the Borough Council  
 Borough of Victory Gardens  
 Victory Gardens, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* – of the various funds of the Borough of Victory Gardens, in the County of Morris (the "Borough") as of, and for the years ended, December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 12, 2019. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division, to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That report contained a qualified opinion on the financial statements as the amount that should be recorded in the general fixed assets account group could not be determined.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

The Honorable Mayor and Members  
of the Borough Council  
Borough of Victory Gardens  
Page 2

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2018-01 and 2018-02 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Borough's Responses to the Findings**

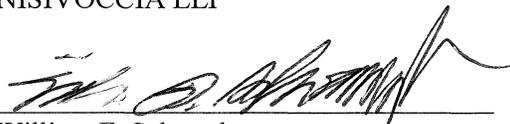
The Borough's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Borough's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey  
April 12, 2019

NISIVOCCIA LLP



William F. Schroeder  
Certified Public Accountant  
Registered Municipal Accountant No. 452

BOROUGH OF VICTORY GARDENS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the amount that should be recorded in the general fixed assets account group could not be determined.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2018 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2018-01:

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger including recording cash receipts and disbursements for the various funds as well as the preparation of payroll are performed by a small number of employees with limited oversight review.

BOROUGH OF VICTORY GARDENS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Continued)

Cause

This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures.

Effect or Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Recommendation

It is recommended that management initiates more involvement in the areas of collecting, disbursing and recording to provide for a more adequate segregation of duties.

Management's Response

Duties of personnel will be reviewed to determine where a more adequate segregation of duties can be provided. The former Chief Financial Officer is still working as a consultant to review bank reconciliations completed by the current Chief Financial Officer.

Finding 2018-02:

Fixed Assets and Encumbrances

Accounting Requirements – New Jersey Administrative Code

Criteria

A fixed assets and encumbrances accounting and reporting system is required to be in compliance with the New Jersey Administrative Code Accounting Requirements.

Condition

The Borough does not maintain fixed assets and encumbrance accounting and reporting systems. A fixed assets accounting and reporting system would be used to identify assets held by the Borough, their cost, acquisition date, location and other pertinent information. An encumbrance accounting and reporting system would be useful to identify liabilities of the Borough and prevent possible overexpenditures of appropriations.

Cause

Sufficient Borough personnel and/or financial resources are not available to perform the initial inventory of the Borough's fixed assets and to implement an encumbrance accounting and reporting system.

BOROUGH OF VICTORY GARDENS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Continued)

Effect or Potential Effect

The Borough is not in compliance with the New Jersey Administrative Code Accounting Requirements. Borough fixed assets records are not available which could be possibly used to aid in the planning for replacement of assets.

Recommendation

It is recommended that consideration be given to implementing accounting systems for encumbrances and fixed assets, as prescribed in the New Jersey Administrative Code.

Management's Response

The finding was evaluated, however, due to budgetary constraints, no resolution can be made at this time for fixed assets. The Borough has begun the implementation of an encumbrance system with a target implementation of May 1, 2019.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

BOROUGH OF VICTORY GARDENS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

The prior year findings 2017-01 regarding segregation of duties and 2017-02 regarding fixed assets and encumbrances have not been resolved due to budgetary constraints and are included as current year Findings 2018-01 and 2018-02.

BOROUGH OF VICTORY GARDENS

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

BOROUGH OF VICTORY GARDENS  
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids.

N.J.S.A. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$40,000.

The governing body of the Borough of Victory Gardens has the responsibility in determining whether the expenditures in any category will exceed the bid threshold within the year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" and "Extraordinary Unspecifiable Services: per N.J.S.A. 40A:11-5.

BOROUGH OF VICTORY GARDENS  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Contracts and Agreements Required Advertisement for Bids. (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes and Utility Rents

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes and utility rents on or before the date when they would become delinquent.

The governing body adopted the following resolution authorizing interest to be charged on delinquent taxes and utility rents:

NOW, THEREFORE BE IT RESOLVED, by the Mayor and Council of the Borough of Victory Gardens, County of Morris, State of New Jersey, that pursuant to the provisions of N.J.S.A. 54:4-67 as amended, the governing body does hereby fix the penalty to be charged on delinquent taxes and other municipal charges as follows:

- A. 8 percent per annum on the first \$1,500.00
- B. 18 percent per annum on all amounts in excess of \$1,500.00
- C. An additional 6% on all sums in excess of \$10,000.00 when said delinquency remains unpaid after December 31<sup>st</sup> of the current tax year, which additional amount shall be in addition to other interest charges.

A test examination of the Collector's records revealed that interest was consistently collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2018	2
2017	1
2016	1

BOROUGH OF VICTORY GARDENS  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Verification of Delinquent Taxes and Other Charges

A tax sale was held in 2018 and included all items which were eligible for sale.

A test verification of delinquent charges was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Paid Taxes	15
Delinquent Taxes	15

Verification notices were mailed to confirm balances and payments as of December 31, 2018. The items that were returned were checked and in agreement with the Borough's records. For items which were not returned, alternate procedures were performed.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting system.

The Borough is currently not in compliance with requirements 1 and 2.

The Borough does not maintain accounting and reporting systems for fixed assets and encumbrances. These records should be maintained to be in compliance with the (3) accounting requirements prescribed in the New Jersey Administrative Code.

It is recommended that consideration be given to implementing accounting and reporting systems for encumbrances and fixed assets, as prescribed in the New Jersey Administrative Code.

Management's Response

The finding was evaluated, however, due to budgetary constraints, no resolution can be made at this time for fixed assets. The Borough has begun the implementation of an encumbrance system with a target implementation of May 1, 2019.

Segregation of Duties

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

It is recommended that management initiates more involvement in the areas of collecting, disbursing and recording to provide for a more adequate segregation of duties.

BOROUGH OF VICTORY GARDENS  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Management's Response

Duties of personnel will be reviewed to determine where a more adequate segregation of duties can be provided. The former Chief Financial Officer is still working as a consultant to review bank reconciliations completed by the current Chief Financial Officer.

Municipal Court

The transactions for the year 2018 were as follows:

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
State of New Jersey		\$ 2,364.28	\$ 2,364.28	
Municipality:				
Fines and Fees		2,318.72	2,318.72	
P.O.A.A. - FTA		26.00	26.00	
Conditional Dismissal		75.00	75.00	
Cash Bail		500.00		\$ 500.00
Total	<u>\$ -0-</u>	<u>\$ 5,284.00</u>	<u>\$ 4,784.00</u>	<u>\$ 500.00</u>

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2017 audit report. Prior year recommendations 1 and 2 were not resolved.

BOROUGH OF VICTORY GARDENS  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Management initiates more involvement in the areas of collecting, disbursing and recording to provide for a more adequate segregation of duties.
2. Consideration be given to implementing accounting systems for encumbrances and fixed assets, as prescribed in the New Jersey Administrative Code.

\* \* \* \* \*