

BOROUGH OF VICTORY GARDENS

COUNTY OF MORRIS

REPORT OF AUDIT

2014

*NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
REPORT OF AUDIT
2014

BOROUGH OF VICTORY GARDENS
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2014

<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	A
Comparative Statement of Operations and Change in Fund Balance	A-1
Statement of Revenue	A-2
Statement of Expenditures	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet	B
Statement of Fund Balance – Assessment Trust Fund (Not Applicable)	B-1
Statement of Revenue – Assessment Trust Fund (Not Applicable)	B-2
Statement of Expenditures – Assessment Trust Fund (Not Applicable)	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet	C
Statement of Fund Balance	C-1
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F
<u>Bond and Interest Fund (Not Applicable)</u>	G
Notes to Financial Statements	<u>Page</u> 1-11
<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 2013 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, 2014
(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>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F
<u>PART II - Single Audit</u>	<u>Page</u>
Schedule of Expenditures of Federal Awards	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
<u>PART III - Comments and Recommendations</u>	
Comments and Recommendations	9-11
Summary of Recommendations	12

BOROUGH OF VICTORY GARDENS

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2014

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, 2014 and 2013 and the related notes to the financial statements, as listed in the 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. Management is also responsible for 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.

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, 2014 and 2013, or the changes in financial position 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 the Technical Accounting Directives prescribed 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, 2014 and 2013 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, 2014 and 2013, 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, as described in Note 1.

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 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *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 February 20, 2015 on our consideration of the Borough of Victory Gardens's 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 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 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's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
February 20, 2015

NISIVOCCIA LLP

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

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
CURRENT FUND

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

	Ref.	December 31,	
		2014	2013
<u>ASSETS</u>			
Cash and Cash Equivalents	A-4	\$ 2,410,423.14	\$ 2,494,795.54
Due State of New Jersey:			
Senior Citizens' and Veterans' Deductions		750.00	
		<u>2,411,173.14</u>	<u>2,494,795.54</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	37,795.58	26,557.66
Tax Title Liens Receivable	A-8	3,601.35	2,441.21
Revenue Accounts Receivable	A-9	14,970.87	15,123.84
Due from Animal Control Fund	B	212.79	213.04
Due from Other Trust Funds	B		2.78
Prepaid Local School District Taxes	A-12		3,996.45
New Jersey Department of Transportation Grants Receivable		<u>11,250.00</u>	
Total Receivables and Other Assets with Full Reserves		<u>67,830.59</u>	<u>48,334.98</u>
Deferred Charges:			
Expenditure Without Appropriation			<u>37,000.00</u>
TOTAL ASSETS		<u><u>\$ 2,479,003.73</u></u>	<u><u>\$ 2,580,130.52</u></u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	Ref.	December 31,	
		<u>2014</u>	<u>2013</u>
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 180,530.15	\$ 183,733.12
Due to Town of Dover Board of Education:			
Local School District Taxes Payable	A-12	10,748.41	
Due to State of New Jersey:			
Senior Citizens' and Veterans' Deductions			250.00
Marriage License Fees		375.00	400.00
Building Surcharge Fees		121.00	69.00
Prepaid Taxes		6,369.86	27,985.30
Reserve for:			
School Taxes Payable		1,225,118.42	1,273,543.42
Landfill Costs		308,533.98	308,533.98
Appropriated Grant Funds:			
Clean Communities Program		6,124.47	7,269.98
New Jersey Transportation Trust Fund Authority Act		3,503.62	3,503.62
Unappropriated Grant Funds:			
New Jersey Transportation Trust Fund Authority Act			37,000.00
		<u>1,741,424.91</u>	<u>1,842,288.42</u>
Reserve for Receivables and Other Assets	A	67,830.59	48,334.98
Fund Balance	A-1	<u>669,748.23</u>	<u>689,507.12</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 2,479,003.73</u></u>	<u><u>\$ 2,580,130.52</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,	
		2014	2013
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	340,000.00	\$ 380,000.00
Miscellaneous Revenue Anticipated		370,618.58	302,592.12
Receipts from:			
Delinquent Taxes		26,557.66	42,907.78
Current Taxes		1,614,857.89	1,640,268.16
Nonbudget Revenue		21,218.39	18,483.33
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		150,026.15	165,592.77
Prepaid Local School District Taxes Applied		3,996.45	
Interfunds and Other Receivables Returned		215.82	0.40
Total Income		<u>2,527,490.94</u>	<u>2,549,844.56</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		1,191,450.00	1,107,336.00
County Taxes		160,820.04	199,738.61
Local School District Taxes		854,767.00	860,333.00
Expenditure Without Appropriation			37,000.00
Prepaid Local School District Taxes Advanced			3,996.45
Prior Year Senior Citizens' and Veterans' Deductions Disallowed			250.00
Interfunds and Other Receivables Advanced		212.79	215.82
Total Expenditures		<u>2,207,249.83</u>	<u>2,208,869.88</u>
Excess in Revenue		320,241.11	340,974.68
Adjustments Before Fund Balance:			
Expenditures Included Above Which Are by Statute			
Deferred Charges to Budget of Succeeding Year			37,000.00
Statutory Excess to Fund Balance		<u>320,241.11</u>	<u>377,974.68</u>
<u>Fund Balance</u>			
Balance January 1	\$	689,507.12	\$ 691,532.44
		1,009,748.23	1,069,507.12
Decreased by:			
Utilized as Anticipated Revenue		340,000.00	380,000.00
Balance December 31	A	<u>\$ 669,748.23</u>	<u>\$ 689,507.12</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, 2014

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 340,000.00		\$ 340,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,000.00		5,000.00	\$ 1,000.00
Fines and Costs:				
Municipal Court	9,200.00		8,706.77	493.23 *
Interest and Costs on Taxes	10,600.00		7,334.31	3,265.69 *
Interest on Investments and Deposits	5,400.00		5,366.16	33.84 *
Sewer Rents	138,300.00		140,893.99	2,593.99
Consolidated Municipal Property Tax Relief Aid	16,544.00		16,544.00	
Energy Receipts Tax	57,162.00		57,162.00	
Uniform Construction Code Fees	3,500.00		4,587.00	1,087.00
Clean Communities Program	4,000.00		4,000.00	
New Jersey Department of Transportation - Coolidge Avenue	37,000.00		37,000.00	
New Jersey Department of Transportation - Monroe Avenue		\$ 45,000.00	33,750.00	11,250.00 *
Uniform Fire Safety Act	1,000.00		1,849.35	849.35
Reserve for School Taxes	48,425.00		48,425.00	
	<u>335,131.00</u>	<u>45,000.00</u>	<u>370,618.58</u>	<u>9,512.42 *</u>
Receipts from Delinquent Taxes	<u>28,200.00</u>		<u>26,557.66</u>	<u>1,642.34 *</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>638,219.00</u>		<u>794,370.85</u>	<u>156,151.85</u>
Budget Totals	<u>1,341,550.00</u>	<u>45,000.00</u>	<u>1,531,547.09</u>	<u>\$ 144,997.09</u>
Nonbudget Revenue			<u>21,218.39</u>	
	<u>\$ 1,341,550.00</u>	<u>45,000.00</u>	<u>\$ 1,552,765.48</u>	

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 1,614,857.89
Allocated to County and Local School District Taxes	1,015,587.04
Balance for Support of Municipal Budget	<u>599,270.85</u>

Add: Appropriation "Reserve for Uncollected Taxes"	<u>195,100.00</u>
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Realized for Support of Municipal Budget	<u><u>\$ 794,370.85</u></u>
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Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:

Treasurer:

Cable TV Franchise Fees	\$ 12,570.00	
Phone Franchise Fees	2,598.59	
Board of Health - Other Licenses and Fees	355.00	
Randolph Sewer Transmission Fees	792.04	
Recycling Fees	1,131.48	
Deductions Administrative Reimbursement	130.00	
Other Miscellaneous Revenue	<u>3,441.28</u>	
		\$ 21,018.39

Tax Collector:

Other Miscellaneous Revenue		<u>200.00</u>
		<u><u>\$ 21,218.39</u></u>

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations Within "CAPS":				
GENERAL GOVERNMENT:				
Mayor and Council:				
Salaries and Wages	\$ 27,320.00	\$ 27,320.00	\$ 27,285.36	\$ 34.64
Other Expenses	1,530.00	1,530.00	997.32	532.68
Municipal Clerk:				
Salaries and Wages	110,850.00	110,850.00	95,696.80	15,153.20
Other Expenses	30,700.00	30,700.00	8,944.47	21,755.53
Financial Administration:				
Salaries and Wages	21,200.00	21,200.00	18,576.28	2,623.72
Other Expenses	1,200.00	1,200.00	301.92	898.08
Annual Audit	31,430.00	31,430.00	30,975.00	455.00
Revenue Administration (Tax Collection):				
Salaries and Wages	6,700.00	6,700.00	6,608.52	91.48
Other Expenses	3,500.00	3,500.00	2,010.07	1,489.93
Tax Assessment Administration:				
Salaries and Wages	7,700.00	7,700.00	7,587.10	112.90
Other Expenses	1,020.00	1,020.00	350.00	670.00
Legal Services and Costs:				
Other Expenses	52,500.00	52,500.00	30,147.50	22,352.50
Engineering Services and Costs:				
Other Expenses	32,000.00	32,000.00	15,451.99	16,548.01

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Operations Within "CAPS" (Continued):

PUBLIC WORKS:

Garbage and Trash Removal

Public Buildings and Grounds:

Salaries and Wages

Other Expenses

HEALTH AND HUMAN SERVICES:

Board of Health:

Other Expenses

Health Services:

Contractual

Dog Regulation:

Other Expenses

PARKS AND RECREATION:

Recreation and Education:

Other Expenses

UTILITY EXPENSES AND BULK PURCHASES:

Utilities

Street Lighting

Municipal Court:

Other Expenses

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
\$	95,000.00	\$ 95,000.00	\$ 94,966.92	\$ 33.08
	13,500.00	13,500.00	12,335.28	1,164.72
	17,400.00	17,400.00	10,125.00	7,275.00
	510.00	510.00		510.00
	22,500.00	22,500.00	22,440.00	60.00
	7,650.00	7,650.00	6,746.80	903.20
	3,060.00	3,060.00	2,700.00	360.00
	22,440.00	22,440.00	17,749.72	4,690.28
	10,200.00	10,200.00	8,863.42	1,336.58
	17,000.00	17,000.00	16,626.96	373.04

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Operations Within "CAPS" (Continued):
UNIFORM CONSTRUCTION CODE:
Inspection of Buildings:
Salaries and Wages
Other Expenses

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
\$	25,020.00	\$ 25,020.00	\$ 24,986.15	\$ 33.85
	1,020.00	1,020.00	670.00	350.00
Total Operations Within "CAPS"	920,974.00	920,974.00	763,412.94	157,561.06

Detail:
Salaries and Wages
Other Expenses

315,690.00	315,690.00	287,941.36	27,748.64
605,284.00	605,284.00	475,471.58	129,812.42

Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":

Deferred Charges:
Expenditure Without an Appropriation
Statutory Expenditures:
Contributions to:
Public Employees' Retirement System
Social Security System (O.A.S.I.)
Unemployment Insurance

37,000.00	37,000.00	37,000.00	
25,000.00	25,000.00	20,376.00	4,624.00
24,480.00	24,480.00	20,952.83	3,527.17
3,200.00	3,200.00	1,858.61	1,341.39

Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"

89,680.00	89,680.00	80,187.44	9,492.56
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Total General Appropriations for Municipal Purposes Within "CAPS"

1,010,654.00	1,010,654.00	843,600.38	167,053.62
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BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations Excluded from "CAPS":				
Insurance:				
Group Insurance Plan for Employees	\$ 2,288.00	\$ 2,288.00	\$	2,288.00
Rockaway Valley Regional Sewerage Authority:				
Share of Costs	101,588.00	101,588.00	\$ 96,011.00	5,577.00
911 Costs	21,420.00	21,420.00	20,810.67	609.33
State and Federal Programs Offset by Revenue:				
Clean Communities Program Grant	4,000.00	4,000.00	4,000.00	
Total Operations Excluded from "CAPS"	129,296.00	129,296.00	120,821.67	8,474.33
Detail:				
Other Expenses	129,296.00	129,296.00	120,821.67	8,474.33
Capital Improvements - Excluded from "CAPS":				
Drainage Improvements	5,000.00	5,000.00		5,000.00
Playground Reconstruction	1,500.00	1,500.00	1,497.80	2.20
New Jersey Department of Transportation - Monroe Avenue (N.J.S.A 40A:4-87 + \$45,000)		45,000.00	45,000.00	
Total Capital Improvements - Excluded from "CAPS"	6,500.00	51,500.00	46,497.80	5,002.20

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Total General Appropriations Excluded from "CAPS"	\$ 135,796.00	\$ 180,796.00	\$ 167,319.47	\$ 13,476.53
Subtotal General Appropriations	1,146,450.00	1,191,450.00	1,010,919.85	180,530.15
Reserve for Uncollected Taxes	195,100.00	195,100.00	195,100.00	
Total General Appropriations	\$ 1,341,550.00	\$ 1,386,550.00	\$ 1,206,019.85	\$ 180,530.15

Ref.

A

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Analysis of	
	Budget After Modification	Paid or Charged
Adopted Budget	\$ 1,341,550.00	
Appropriation by NJSA 40A:4-87	45,000.00	
	\$ 1,386,550.00	
Reserve for Uncollected Taxes		\$ 195,100.00
Reserve for Appropriated Grants		49,000.00
Deferred Charges - Expenditure without Appropriation		37,000.00
Cash Disbursed		936,761.40
		1,217,861.40
Less: Appropriation Refunds		11,841.55
		\$ 1,206,019.85

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

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
TRUST FUNDS

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

	Ref.	December 31,	
		2014	2013
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 1,714.65	\$ 1,912.04
Other Trust Funds:			
Cash and Cash Equivalents	B-4	89,101.66	94,982.94
TOTAL ASSETS		\$ 90,816.31	\$ 96,894.98
 <u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 212.79	\$ 213.04
Due to New Jersey State Board of Health			4.20
Reserve for Animal Control Expenditures	B-6	1,501.86	1,694.80
		1,714.65	1,912.04
Other Trust Funds:			
Due to Current Fund	A		2.78
Reserve for:			
Local Enforcement Agency Inspection Fees		22,799.18	21,801.18
Escrow - Engineering Fees		20,642.48	20,618.98
Parking Offense Adjudication Act		165.00	165.00
Public Defender Fees		4,695.00	4,695.00
Tax Sale Premiums		40,800.00	47,700.00
		89,101.66	94,982.94
TOTAL LIABILITIES AND RESERVES		\$ 90,816.31	\$ 96,894.98

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, 2014

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014

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, 2014

NOT APPLICABLE

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

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2014	2013
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 1,012,459.11	\$ 1,041,334.83
TOTAL ASSETS		<u>\$ 1,012,459.11</u>	<u>\$ 1,041,334.83</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 392,348.12	\$ 429,045.87
Capital Improvement Fund	C-6	373,348.53	365,526.50
Reserve for:			
Fire and Other Miscellaneous Equipment		93,634.34	93,634.34
Drainage Improvements		62,267.60	62,267.60
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		15,083.00	15,083.00
Fund Balance	C-1	<u>1,860.02</u>	<u>1,860.02</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 1,012,459.11</u>	<u>\$ 1,041,334.83</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, 2013	C	<u>\$ 1,860.02</u>
Balance December 31, 2014	C	<u><u>\$ 1,860.02</u></u>

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

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
SEWER UTILITY FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
BOND AND INTEREST FUND

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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 publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Governmental Accounting Standards Board's 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. Such principles and 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.

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

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

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

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 following is a summary of the significant accounting policies:

Revenue is recorded as 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; and inventories would not be reflected as expenditures at the time of purchase.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(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 or amortized cost, which approximates market.

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, 2014
(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,		
	2014	2013	2012
<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%.

	Gross Debt	Deduction	Net Debt
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, 2014
(Continued)

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

Net Debt of \$-0- divided by Average Equalized Valuations of \$70,724,300 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	\$	2,475,351
Net Debt		- 0 -
Remaining Borrowing Power	\$	2,475,351

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

At December 31, 2014, the Borough of Victory Gardens has no municipal debt outstanding.

Note 3: Fund Balance Appropriated

As of the date of this report, the budget for 2015 has not been introduced. Thus, the amount of fund balance at December 31, 2014 which will be included in the Current Fund budget for the year ending December 31, 2015, is not known at this date.

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, 2014, \$1,225,118 is available to be used to offset future taxes.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 6: Pension Plans

Borough employees are enrolled in a cost sharing multiple-employer public employee retirement system: the Public Employees' Retirement System (PERS). The State of New Jersey sponsors and administers the plan which covers substantially all Borough employees. As a general rule, all full-time employees are eligible to join the PERS.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during the years of creditable service. Vesting occurs after 8 to 10 years of service.

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 above system. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The employee contribution rate for PERS was 6.78% effective July 1, 2013 and increased to 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Borough contributions to PERS amounted to \$20,376, \$24,832, and \$21,437 for 2014, 2013 and 2012, respectively.

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 at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$24,044. 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.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

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.

	2014	2013	2012
<u>Tax Rate</u>	\$ 2.34	\$ 2.26	\$ 2.19
<u>Apportionment of Tax Rate</u>			
Municipal	0.91	0.83	0.80
County	0.22	0.27	0.26
Local School	1.21	1.16	1.13
<u>Assessed Valuations</u>			
2014	\$ 70,724,300		
2013		\$ 74,279,300	
2012			\$ 74,370,000

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.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2014	\$ 1,654,242	\$ 1,614,858	97.61%
2013	1,674,999	1,640,268	97.92%
2012	1,628,703	1,582,979	97.19%

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.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

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, which approximates market. 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 Statement No. 40, *Government Accounting Standards Board Deposit and Investment Risk Disclosures*, 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.

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.

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

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.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

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

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, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (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 statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

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

As of December 31, 2014, 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	\$ 2,410,423	\$ 2,410,423
Animal Control	1,715	1,715
Other Trust	89,102	89,102
General Capital	1,012,459	1,012,459
	<u>\$ 3,513,699</u>	<u>\$ 3,513,699</u>

During the year ended December 31, 2014, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2014, was \$3,513,699 and the bank balance was \$3,532,391.

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.

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 AmeriHealth Insurance Company, United Health Care Insurance Company, and Blue Cross Blue Shield Insurance Company.

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.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Note 12: Interfunds

The following interfund balances remained on the various balance sheets at December 31, 2014:

	Interfund Receivable	Interfund Payable
Current Fund	\$ 212.79	
Animal Control Fund	-	212.79
	\$ 212.79	\$ 212.79

The interfund receivable in the Current Fund and the interfund payable in the Animal Control Fund are due to statutory excess in the Reserve in the Animal Control Fund due to the Current Fund in the prior year.

Note 13: 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 their 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 14: 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.

BOROUGH OF VICTORY GARDENS

SUPPLEMENTARY DATA

BOROUGH OF VICTORY GARDENS
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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		
Joan Cegelka	Councilwoman		
Veronica Hedgepath	Councilwoman		
James Glass	Councilman		
Ismael Lorenzo	Councilman		
Charles J. Wood, Jr.	Financial Consultant		
Amy Maronpot	Chief Financial Officer	\$ 80,000	Henry O. Baker Insurance
Deborah Evans	Borough Administrator; Borough Clerk	(A)	Henry O. Baker Insurance
Lorenza Bly	Deputy Borough Clerk	(A)	
Lorraine Benderoth	Tax Collector	142,000	Henry O. Baker Insurance
Philip Feintuch	Borough Attorney		
Mark Burek	Tax Assessor	(A)	
Anderson & Denzler	Engineer		
Philip Tabaygo	Building Inspector	(A)	
Gerald Flatt	Animal Control Officer	(A)	

(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
2014
CURRENT FUND

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2013	A	\$ 2,494,795.54
Increased by Receipts:		
Tax Collector		\$ 1,821,374.78
Revenue Accounts Receivable		93,849.12
Miscellaneous Revenue Not Anticipated		21,018.39
Interest on Investments and Deposits		5,366.16
Grant Receivable:		
Clean Communities		4,000.00
New Jersey Department of Transportation Grant - Monroe Ave		33,750.00
Due to Animal Control Fund:		
Interfund Returned		0.25
Due Other Trust Funds:		
Interfund Returned		2.78
Due to State of New Jersey:		
Senior Citizens' and Veterans' Deductions		6,000.00
Marriage License Fees		250.00
Building Surcharge Fees		308.00
Appropriation Refunds		11,841.55
		1,997,761.03
		4,492,556.57
Decreased by Disbursements:		
2014 Appropriation Expenditures		936,761.40
2013 Appropriation Reserve Expenditures		33,706.97
Local School District Taxes		840,022.14
County Taxes		160,820.04
Reserve for Appropriated Grant Funds:		
Clean Communities		5,145.51
New Jersey Department of Transportation Grant - Monroe Ave		45,000.00
Refund of:		
Tax Overpayments		5,631.30
Third Party Tax Title Liens		53,515.07
Due to Other Trust Funds:		
Tax Sale Premiums		1,000.00
Due to State of New Jersey:		
Marriage License Fees		275.00
Building Surcharge Fees		256.00
		2,082,133.43
Balance December 31, 2014	A	\$ 2,410,423.14

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2014

Increased by Receipts:

Taxes Receivable	\$ 1,606,430.25	
Interest and Costs on Taxes	7,334.31	
2015 Prepaid Taxes	6,369.86	
Tax Overpayments	5,631.30	
Third Party Lien Certificates	53,515.07	
Miscellaneous Revenue Not Anticipated	200.00	
Sewer Maintenance Rents	140,893.99	
Due to Other Trust Fund:		
Tax Sale Premiums	1,000.00	
	<hr/>	\$ 1,821,374.78

Decreased by:

Payments to Municipal Treasurer	<hr/> <hr/>	\$ 1,821,374.78
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CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

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

Year	Balance	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Canceled	Transferred to Tax Title Liens	Balance Dec. 31, 2014
	Dec. 31, 2013	2013	2014				
2013	\$ 26,557.66	\$ 27,985.30	\$ 26,557.66	\$ 7,000.00	\$ 428.07	\$ 1,160.14	\$ 37,795.58
2014	\$ 26,557.66	\$ 27,985.30	\$ 1,579,872.59	\$ 7,000.00	\$ 428.07	\$ 1,160.14	\$ 37,795.58
	\$ 26,557.66	\$ 27,985.30	\$ 1,606,430.25	\$ 7,000.00	\$ 428.07	\$ 1,160.14	\$ 37,795.58

Ref. A

Analysis of 2014 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 1,654,241.68
Tax Levy:	
Local School District Taxes	\$ 854,767.00
County Taxes	160,820.04
	<u>1,015,587.04</u>
Local Tax for Municipal Purposes Levied	\$ 638,219.00
Add: Additional Tax Levied	<u>435.64</u>
	<u>638,654.64</u>
	<u>\$ 1,654,241.68</u>

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31,2013	A	\$ 2,441.21
Increased by:		
Transfer from Taxes Receivable		<u>1,160.14</u>
Balance December 31, 2014	A	<u><u>\$ 3,601.35</u></u>

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2013	Accrued in 2014	Collected by		Balance Dec. 31, 2014
			Collector	Treasurer	
Licenses:					
Alcoholic Beverages		\$ 5,000.00	\$ 5,000.00		
Fines and Costs:					
Municipal Court	\$ 546.68	8,905.25	8,706.77		\$ 745.16
Sewer Rents	11,073.54	140,542.54	\$ 140,893.99		10,722.09
Consolidated Municipal Property Tax Relief Aid		16,544.00		16,544.00	
Energy Receipts Tax		57,162.00		57,162.00	
Uniform Construction Code Fees		4,587.00		4,587.00	
Uniform Fire Safety Act		1,849.35		1,849.35	
New Jersey Transportation Trust Fund Authority Act Grant	3,503.62				3,503.62
	<u>\$ 15,123.84</u>	<u>\$ 234,590.14</u>	<u>\$ 140,893.99</u>	<u>\$ 93,849.12</u>	<u>\$ 14,970.87</u>

Ref. A

A

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF 2013 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2014

	Balance Dec. 31, 2013	Balance After Transfers	Paid or Charged	Balance Lapsed
Mayor and Council:				
Salaries and Wages	\$ 620.33	\$ 620.33		\$ 620.33
Other Expenses	332.23	332.23	\$ 221.85	110.38
Municipal Clerk:				
Salaries and Wages	2,852.25	2,852.25		2,852.25
Other Expenses	20,902.56	20,902.56	536.11	20,366.45
Financial Administration:				
Salaries and Wages	2,564.74	2,564.74		2,564.74
Other Expenses	1,021.00	1,021.00		1,021.00
Annual Audit	1,390.00	1,390.00		1,390.00
Revenue Administration (Tax Collection):				
Salaries and Wages	57.95	57.95		57.95
Other Expenses	887.15	887.15		887.15
Tax Assessment Administration:				
Salaries and Wages	101.92	101.92		101.92
Other Expenses	542.16	542.16		542.16
Legal Services and Costs:				
Other Expenses	34,592.09	34,592.09		34,592.09
Engineering Services and Costs:				
Other Expenses	6,068.34	6,068.34	632.40	5,435.94
Municipal Land Use Law (NJSA 40:55D-1 et seq):				
Planning Board:				
Other Expenses	1,527.12	1,527.12		1,527.12
Insurance:				
Group Insurance Plan for Employees	1,426.90	1,426.90		1,426.90
Other Insurance Premiums	10,391.00	10,391.00		10,391.00
Emergency Management:				
Other Expenses	510.00	510.00		510.00
Fire:				
Aid to Volunteer Fire Companies	19,292.50	19,292.50	16,500.00	2,792.50
Other Expenses	95.18	95.18	82.08	13.10
Other Expenses - Fire Hydrants	912.00	912.00		912.00

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF 2013 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Balance Dec. 31, 2013	Balance After Transfers	Paid or Charged	Balance Lapsed
Uniform Fire Safety:				
Other Expenses	\$ 1,200.00	\$ 1,200.00		\$ 1,200.00
Road Repair and Maintenance:				
Salaries and Wages	3,209.89	3,209.89		3,209.89
Other Expenses	16,496.01	16,496.01	\$ 10,645.46	5,850.55
Traffic Lights	1,530.00	1,530.00		1,530.00
Garbage and Trash Removal	10,661.72	10,661.72		10,661.72
Public Buildings and Grounds:				
Other Expenses	7,656.90	7,656.90	112.59	7,544.31
Board of Health:				
Other Expenses	510.00	510.00		510.00
Dog Regulation:				
Other Expenses	2,366.05	2,366.05	1,856.00	510.05
Recreation and Education:				
Other Expenses	360.00	360.00		360.00
Utility Expenses and Bulk Purchases:				
Utilities	6,884.37	6,884.37	2,464.34	4,420.03
Street Lighting	1,243.18	1,243.18	656.14	587.04
Municipal Court:				
Other Expenses	373.04	373.04		373.04
Inspection of Buildings:				
Salaries and Wages	82.69	82.69		82.69
Other Expenses	44.12	44.12		44.12
Contribution to:				
Public Employees' Retirement System	2,167.90	2,167.90		2,167.90
Social Security System (O.A.S.I.)	4,718.71	4,718.71		4,718.71
Unemployment Insurance	1,786.87	1,786.87		1,786.87

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF 2013 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Balance</u> <u>Dec. 31, 2013</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	\$ 9,188.00	\$ 9,188.00		\$ 9,188.00
911 Costs	666.25	666.25		666.25
Drainage Improvements	5,000.00	5,000.00		5,000.00
Playground Reconstruction	1,500.00	1,500.00		1,500.00
	<u>\$ 183,733.12</u>	<u>\$ 183,733.12</u>	<u>\$ 33,706.97</u>	<u>\$ 150,026.15</u>

Ref. A

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2013 (Prepaid)	A	\$ (3,996.45)
Increased by:		
Levy - Calendar Year 2014		<u>854,767.00</u>
		850,770.55
Decreased by:		
Payments to Local School District		<u>840,022.14</u>
Balance December 31, 2014	A	<u><u>\$ 10,748.41</u></u>

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
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, 2013	B	\$ 1,912.04	\$ 94,982.94
Increased by Receipts:			
State Registration Fees		\$ 201.60	
Animal Control:			
License Fees		807.00	
Late Fees and Miscellaneous		289.15	
Local Enforcement Agency:			
Inspection Fees			\$ 1,431.85
Engineering Escrow Deposits			100.00
Tax Sale Premiums			1,000.00
		<u>1,297.75</u>	<u>2,531.85</u>
		3,209.79	97,514.79
Decreased by Disbursements:			
NJ State Board of Health		205.80	
Reserve for Animal Control Expenditures		1,289.09	
Local Enforcement Agency Expenditures			433.85
Escrow Deposits			76.50
Tax Sale Premiums			7,900.00
Due Current Fund:			
Prior Year Interfund		0.25	2.78
		<u>1,495.14</u>	<u>8,413.13</u>
Balance December 31, 2014	B	<u>\$ 1,714.65</u>	<u>\$ 89,101.66</u>

BOROUGH OF VICTORY GARDENS
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2013	B	\$ 1,694.80
Increased by:		
Animal Control License Fees Collected		\$ 807.00
Late Fees Collected		289.15
		1,096.15
		2,790.95
Decreased by:		
Expenditures Under R.S. 4:19-15.11		1,289.09
		1,289.09
Balance December 31, 2014	B	\$ 1,501.86

License Fees Collected

<u>Year</u>	<u>Amount</u>
2012	\$ 963.60
2013	790.20
	1,753.80
Maximum Allowable Reserve	\$ 1,753.80

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2014
GENERAL CAPITAL FUND

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2013	C	\$ 1,041,334.83
Decreased by:		
Improvement Authorization Expenditures		<u>28,875.72</u>
Balance December 31, 2014	C	<u>\$ 1,012,459.11</u>

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance		Balance	2014	Paid or Charged	Improvement Authorizations Canceled	Balance
	Date	Amount	Dec. 31, 2013	Authorizations Capital Improvement Fund			Dec. 31, 2014
			Funded				Funded
Improvements to Municipal Building	08/13/80	\$ 20,000.00	\$ 12,250.84				\$ 12,250.84
Purchase of Equipment	03/22/89	62,235.00	20,481.13			\$ 20,481.13	
Rehabilitation of the Sanitary Sewer System and Franklin Road	07/26/89	125,000.00	45,021.98				45,021.98
Acquisition of an Ambulance and Resurfacing Washington Avenue	07/26/89; 10/13/98	65,000.00	21,608.42				21,608.42
Purchase of Firefighters' Breathing Apparatus/New Telephone System	03/14/90	10,000.00	640.05			640.05	
Purchase Firefighters' Equipment	03/27/91	8,000.00	2,170.24			2,170.24	
Paving of Franklin Road	04/10/91	15,000.00	14,986.36			14,986.36	
Purchase of a Dump Truck	06/14/94	35,000.00	3,984.72				3,984.72
Improvement of Municipally Owned Buildings	06/13/95	73,000.00	8,368.26				8,368.26
Reconstruction of Borough Hall	05/22/01	1,000,000.00	275,906.02		\$ 3,460.00		272,446.02
Purchase of Pick-Up Truck	09/23/03	40,000.00	888.00			888.00	
Repair Storm Drains - Franklin Road and Washington Avenue	05/25/04	15,000.00	2,526.25			2,526.25	
Purchase of a Bucket Loader	07/26/05	40,000.00	3,650.00			3,650.00	
Replacement of Sidewalks on Washington Ave	07/24/12	50,000.00	16,563.60				16,563.60
Improvement of Monroe Avenue	9/23/14	37,520.00		\$ 37,520.00	25,415.72		12,104.28
			<u>\$429,045.87</u>	<u>\$ 37,520.00</u>	<u>\$ 28,875.72</u>	<u>\$ 45,342.03</u>	<u>\$392,348.12</u>

Ref. C

C

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

	<u>Ref.</u>	
Balance December 31, 2013	C	\$ 365,526.50
Increased by:		
Cancellation of Improvement Authorizations		<u>45,342.03</u>
		410,868.53
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>37,520.00</u>
Balance December 31, 2014	C	<u><u>\$ 373,348.53</u></u>

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2014

BOROUGH OF VICTORY GARDENS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Funding Department	Program	Project	CFDA Number	State Program Account Number	Grant Award	Grant Receipts	Grant Period		Expenditures	MEMO Cumulative Total Expenditures
							From	To		
Department of Transportation (Passed through New Jersey Department of Transportation)	Municipal Aid Program	State Aid Highway Project - Monroe Ave.	20.205	6320-480-078-6320-	\$ 45,000.00	\$ 33,750.00	01/01/14	12/31/14	\$ 45,000.00	\$ 45,000.00
				AK3-TCAP-6010						
Subtotal Department of Transportation						33,750.00			45,000.00	45,000.00
TOTAL FEDERAL AWARDS						\$ 33,750.00			\$ 45,000.00	\$ 45,000.00

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF VICTORY GARDENS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

State Funding Department	State Program	State Grant Account #	Grant Award	Grant Receipts	Grant Period		Expenditures	MEMO Cumulative Total Expenditures
					From	To		
Department of Environmental Protection	Clean Communities Program	765-042-4900-	\$ 4,000.00		1/12	12/31/14	\$ 3,269.98	\$ 4,000.00
		004-178910	4,000.00		1/13	12/31/15	1,875.53	2,124.47
			4,000.00	\$ 4,000.00	1/14	12/31/15		
		Subtotal Department of Environmental Protection		4,000.00			5,145.51	6,124.47
		TOTAL STATE AWARDS		\$ 4,000.00			\$ 5,145.51	\$ 6,124.47

SEE ACCOMPANYING 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, 2014

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 under programs of the federal and state governments for the year ended December 31, 2014. The information in these schedules is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

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.



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 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
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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, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated February 20, 2015. 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. 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 our 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 over financial reporting.

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 were not identified. Given these limitations, during our audit we did not identify

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2014-01 and 2014-02 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
February 20, 2015

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, 2014

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, 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 Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 for the year ended December 31, 2014 as both state and federal grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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 2014-1:

Segregation of Duties

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. 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 misappropriate funds and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permit and license fees; and recording of collections. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. The former Chief Financial Officer was hired as a consultant to help partially resolve the segregation of duties issue. Accordingly, management should be aware of this situation and include more involvement in the areas of collecting, disbursing and recording to improve internal control.

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.

BOROUGH OF VICTORY GARDENS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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

Finding 2014-2:

Technical Accounting Directives

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

Management's Response

Every effort will be made to implement an encumbrance accounting system and an accounting and reporting system for fixed assets in the future.

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, 2014

The prior year findings regarding segregation of duties and the maintenance of fixed assets and encumbrance accounting and reporting system have not been fully resolved and are included on the Schedule of Findings and Responses. The former Chief Financial Officer is still working as a consultant to review bank reconciliations completed by the current Chief Financial Officer, which partially resolved the segregation of duties recommendation.

BOROUGH OF VICTORY GARDENS

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

BOROUGH OF VICTORY GARDENS
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids.

N.J.S. 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. 1071, c.198 (C.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 (C.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 (C.40A11-2), 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. 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 January 1, 2011 and thereafter, the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000.

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 fiscal year and 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. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for professional services per N.J.S. 40A:11-5.

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.

BOROUGH OF VICTORY GARDENS
COMMENTS AND RECOMMENDATIONS
(Continued)

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:

BE IT RESOLVED by the governing body of the Borough of Victory Gardens that the interest to be charged a delinquent taxpayer for the nonpayment of real property taxes, assessments or utility rents shall be in the sum of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500, and 6% on all sums in excess of \$10,000 when said delinquency remains unpaid after December 31 of the current year, and

BE IT FURTHER RESOLVED that the governing body shall provide a grace period of 10 days within which an installment of taxes, assessments or utility rents may be received without additional charges or interest from due date.

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>
2014	1
2013	1
2012	0

Verification of Delinquent Taxes and Other Charges

A tax sale was held in 2014 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>
Delinquent Taxes	15

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.

BOROUGH OF VICTORY GARDENS
COMMENTS AND RECOMMENDATIONS
(Continued)

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 include 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.

Accounting Requirements Under New Jersey Administrative Code

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 systems for encumbrances and fixed assets, as prescribed in the New Jersey Administrative Code.

Management's Response

Consideration will be given to implementing accounting systems for encumbrances and fixed assets.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2013 audit report. Prior year recommendations 3a, 3b and 3c were resolved. All other prior recommendations that are included in this year's report are in the process of being implemented where possible.

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 by the draft "Requirements of Audit and Accounting".

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