

BOROUGH OF VICTORY GARDENS

COUNTY OF MORRIS

REPORT OF AUDIT

2023

NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
REPORT OF AUDIT
2023

BOROUGH OF VICTORY GARDENS
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023

<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)	
Statement of Revenue – Assessment Trust Fund – Regulatory Basis (Not Applicable)	
Statement of Expenditures – Assessment Trust Fund – Regulatory Basis (Not Applicable)	
<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>General Fixed Assets Account Group (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 Sewer Liens Receivable	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Consumer Accounts Receivable (Not Applicable)	A-10
Schedule of 2022 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
<u>Trust Funds</u>	
Schedule of Cash – Treasurer	B-1
Analysis of Cash – Assessment Trust Fund (Not Applicable)	
Schedule of Reserve for Animal Control Fund Expenditures – Animal Control Fund	B-2
<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)	
Schedule of Serial Bonds Payable (Not Applicable)	
Schedule of Bonds and Notes Authorized but not Issued (Not Applicable)	

BOROUGH OF VICTORY GARDENS
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023
(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	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	6-8
Summary Schedule of Prior Audit Findings	9
 <u>PART III - Comments and Recommendations</u>	
Comments and Recommendations	10-15
Summary of Recommendations	16

BOROUGH OF VICTORY GARDENS

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2023

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* – of the various funds and account group of the Borough of Victory Gardens, in the County of Morris (the "Borough") as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the foregoing table of contents.

Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the Basis for Unmodified and Qualified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the general fixed assets account group of the Borough as of December 31, 2023 and 2022 in accordance with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Unmodified Opinions on the Various Funds on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund of the Borough as of December 31, 2023 and 2022, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended in accordance with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying 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 and account group of the Borough as of December 31, 2023 and 2022, or the changes in financial position thereof for the years then ended.

Basis for Unmodified Opinions on the Various Funds and Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

The financial statements – *regulatory basis* – of the Borough do not include the general fixed assets account group, which should be included to conform with the accounting practices 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.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed or permitted by the Division which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund and account group financial statements. The 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 and account group financial statements or to the various fund and account group 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 various fund and account group 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 June 7, 2024 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
June 7, 2024

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Certified Public Accountant
Registered Municipal Accountant No. 562

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2023
CURRENT FUND

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

		December 31,	
	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	A-4	\$ 2,147,024.17	\$ 4,215,248.20
Due State of New Jersey:			
Senior Citizens' and Veterans' Deductions		822.65	822.65
		<u>2,147,846.82</u>	<u>4,216,070.85</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	63,293.57	67,305.10
Sewer Liens Receivable	A-8		451.38
Revenue Accounts Receivable	A-9	43,950.67	114,948.00
Due from Animal Control Fund	B	2,885.36	1,940.63
Due from Other Trust Funds	B	3,582.07	2,507.53
Due Payroll Account			5,132.29
Total Receivables and Other Assets with Full Reserves		<u>113,711.67</u>	<u>192,284.93</u>
Deferred Charges:			
Expenditure Without Appropriation		<u>99,175.92</u>	
TOTAL ASSETS		<u>\$ 2,360,734.41</u>	<u>\$ 4,408,355.78</u>

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

		December 31,	
	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 97,859.02	\$ 87,253.90
Accounts Payable			59,571.47
Accounts Payable - Appropriated Grants			45,537.01
Due Payroll Account		22,388.48	
Due to State of New Jersey:			
Marriage License Fees		50.00	
Prepaid Taxes		14,260.28	12,320.84
Tax Overpayments		3,399.50	
Local School District Taxes Payable	A-12	269,097.89	2,194,549.35
County Added and Omitted Taxes Payable			90.10
Reserve for:			
School Taxes Payable		791,843.42	839,843.42
Landfill Costs		308,533.98	308,533.98
Third Party Tax Title Liens		12,518.32	
Municipal Relief Fund Aid			3,844.80
Appropriated Grant Funds:			
Clean Communities Program		109.73	5,650.41
Recycling Tonnage		13,946.75	13,946.75
Alcohol Education & Rehabilitation Grant		233.98	233.98
Community Development Block Grant:			
Coolidge and Monroe Aves Sidewalks			27,950.00
New Jersey Department of Transportation Grant:			
Adams and Polk Avenues			13,658.50
Jefferson, Coolidge and Monroe Avenues			26,636.14
Washington Avenue Improvements - 2022			18,733.83
Municipal Alliance - Local Share		4,000.00	3,000.00
American Recovery Plan - Coronavirus SLFRF		86,118.38	80,753.95
Unappropriated Grant Funds:			
Alcohol Education & Rehabilitation Grant		129.79	
NJ DEP - Stormwater Assistance		15,000.00	
Clean Communities Program		4,000.00	
Recycling Tonnage		2,222.49	
		<u>1,645,712.01</u>	<u>3,742,108.43</u>
Reserve for Receivables and Other Assets	A	113,711.67	192,284.93
Fund Balance	A-1	<u>601,310.73</u>	<u>473,962.42</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 2,360,734.41</u>	<u>\$ 4,408,355.78</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

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 345,110.00	\$ 349,888.00
Miscellaneous Revenue Anticipated		429,014.19	576,455.40
Receipts from:			
Delinquent Taxes		67,305.10	43,170.96
Current Taxes		2,180,696.62	2,105,776.85
Nonbudget Revenue		69,036.20	69,706.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		66,210.03	81,467.20
Cancellation of Appropriated Grant Reserves:			
Adams and Polk Avenues		26,636.14	362.49
Jefferson, Coolidge and Monroe Avenues		13,658.50	
Interfunds and Other Receivables Returned		9,580.45	827.24
Total Income		<u>3,207,247.23</u>	<u>3,227,654.14</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		1,296,738.00	1,565,489.40
County Taxes		250,390.49	236,096.58
Local School District Taxes		1,181,193.00	1,154,006.00
Refund of Prior Year Revenue			1,184.15
Interfunds and Other Receivables Advanced		6,467.43	9,580.45
Total Expenditures		<u>2,734,788.92</u>	<u>2,966,356.58</u>
Excess in Revenue		472,458.31	261,297.56
<u>Fund Balance</u>			
Balance January 1		473,962.42	562,552.86
		<u>946,420.73</u>	<u>823,850.42</u>
Decreased by:			
Utilized as Anticipated Revenue		345,110.00	349,888.00
Balance December 31	A	<u>\$ 601,310.73</u>	<u>\$ 473,962.42</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, 2023

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 345,110.00		\$ 345,110.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,000.00		2,500.00	\$ 1,500.00 *
Fines and Costs:				
Municipal Court	1,900.00		2,559.49	659.49
Interest and Costs on Taxes	9,430.00		16,318.65	6,888.65
Interest on Investments and Deposits	8,000.00		106,951.06	98,951.06
Sewer Rents	147,100.00		156,334.35	9,234.35
Energy Receipts Tax	74,215.00		74,215.47	0.47
Reserve for Municipal Relief Fund	3,844.80		3,844.80	
Municipal Relief Fund	7,690.00		7,688.37	1.63 *
Uniform Construction Code Fees	9,000.00		8,102.00	898.00 *
Uniform Fire Safety Act	2,500.00		2,500.00	
Reserve for School Taxes	48,000.00		48,000.00	
	<u>315,679.80</u>		<u>429,014.19</u>	<u>113,334.39</u>
Receipts from Delinquent Taxes	<u>36,000.00</u>		<u>67,305.10</u>	<u>31,305.10</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>807,776.20</u>		<u>956,941.13</u>	<u>149,164.93</u>
Budget Totals	1,504,566.00		1,798,370.42	<u>\$ 293,804.42</u>
Nonbudget Revenue			<u>69,036.20</u>	
	<u>\$ 1,504,566.00</u>	<u>\$ -0-</u>	<u>\$ 1,867,406.62</u>	

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 2,180,696.62
Allocated to County and Local School District Taxes	1,431,583.49
Balance for Support of Municipal Budget	<u>749,113.13</u>
 Add: Appropriation "Reserve for Uncollected Taxes"	 <u>207,828.00</u>
Realized for Support of Municipal Budget	<u><u>\$ 956,941.13</u></u>

Analysis of Interest Income:

Collected by Treasurer	\$ 106,709.69
Due from Animal Control Fund	24.62
Due from Other Trust Funds	125.17
Due from Payroll Account	<u>91.58</u>
	<u><u>\$ 106,951.06</u></u>

Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:

Treasurer:

Cable TV Franchise Fees	\$ 10,657.50
Board of Health - Other Licenses and Fees	3,381.56
Zoning Board Application Fees	1,960.00
Certified Copies	446.00
Veterans and Senior Citizens Deductions	
Administrative Reimbursement	100.00
Cannabis Application	20,000.00
Other Miscellaneous Revenue	<u>4,806.88</u>
	\$ 41,351.94

Collection of Prior Year Grant Receivable:

New Jersey Department of Transportation Grant:

2022 - Washington Avenue Improvements	<u>26,250.00</u>
	67,601.94

Tax Collector:

Miscellaneous Revenue Not Anticipated	512.76
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Due from Animal Control Fund:

Statutory Excess in Reserve for Animal Control Expenditures	<u>921.50</u>
	<u><u>\$ 69,036.20</u></u>

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, 2023

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries and Wages	\$ 37,250.00	\$ 37,250.00	\$ 36,474.22	\$ 775.78	
Other Expenses	1,550.00	1,550.00	141.45	1,408.55	
Municipal Clerk:					
Salaries and Wages	134,500.00	134,500.00	134,497.00	3.00	
Other Expenses	28,000.00	26,345.00	24,394.61	1,950.39	
Financial Administration:					
Salaries and Wages	24,100.00	24,100.00	23,814.96	285.04	
Other Expenses	6,000.00	11,415.00	11,415.00		
Annual Audit	35,745.00	35,745.00	35,045.00	700.00	
Revenue Administration (Tax Collection):					
Salaries and Wages	11,950.00	11,950.00	11,520.71	429.29	
Other Expenses	4,000.00	240.00	240.00		
Tax Assessment Administration:					
Salaries and Wages	9,850.00	9,850.00	9,360.00	490.00	
Other Expenses	1,000.00	1,000.00	1,000.00		
Legal Services and Costs:					
Other Expenses	48,000.00	48,540.64	48,540.64		
Engineering Services and Costs:					
Other Expenses	36,500.00	37,045.73	37,045.73		
Municipal Land Use Law (N.J.S.A.40:55D-1):					
Planning Board:					
Other Expenses	3,150.00	3,150.00	918.59	2,231.41	
Zoning Official:					
Salaries and Wages	8,525.00	6,711.63	5,199.96	1,511.67	

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
Insurance:					
Group Insurance Plan for Employees	\$ 69,200.00	\$ 69,200.00	\$ 15,699.52	\$ 53,500.48	
Other Insurance Premiums	59,140.00	59,867.00	59,867.00		
PUBLIC SAFETY:					
Emergency Management:					
Other Expenses	510.00	510.00		510.00	
Fire:					
Aid to Volunteer Fire Companies					
Other Expenses	35,000.00	35,000.00	35,000.00		
Other Expenses - Fire Hydrants	8,700.00	14,772.49	14,772.49		
Uniform Fire Safety:	5,500.00	5,500.00	5,382.00	118.00	
Other Expenses	1,000.00	1,000.00		1,000.00	
PUBLIC WORKS:					
Road Repair and Maintenance:					
Salaries and Wages	121,318.00	135,041.38	135,041.38		
Other Expenses	60,000.00	46,276.62	45,612.02	664.60	
Traffic Lights	1,600.00	1,600.00		1,600.00	
Garbage and Trash Removal	147,000.00	147,000.00	146,494.30	505.70	
Public Buildings and Grounds:					
Other Expenses	15,800.00	17,811.86	17,811.86		
Property Maintenance:					
Salaries and Wages	21,550.00	21,550.00	21,300.00	250.00	
Other Expenses	900.00	900.00		900.00	

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Canceled
Operations Within "CAPS" (Continued):					
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Other Expenses	\$ 500.00	\$ 500.00	\$	500.00	
Health Services:					
Contractual	30,000.00	30,000.00	\$ 26,818.75	3,181.25	
Dog Regulation:					
Salaries and Wages	4,000.00	4,000.00	3,021.04	978.96	
Other Expenses	6,600.00	6,600.00	4,780.68	1,819.32	
PARKS AND RECREATION:					
Recreation and Education:					
Other Expenses	3,600.00	1,527.51	992.03	535.48	
UTILITY EXPENSES AND BULK PURCHASES:					
Utilities	26,000.00	32,205.51	32,205.51		
Street Lighting	10,500.00	6,500.00	5,579.57	920.43	
Municipal Court:					
Other Expenses	27,000.00	18,782.63	15,196.47	3,586.16	
UNIFORM CONSTRUCTION CODE:					
Inspection of Buildings:					
Salaries and Wages	24,000.00	24,000.00	23,129.88	870.12	
Other Expenses	1,050.00	1,050.00		1,050.00	
	1,070,588.00	1,070,588.00	988,312.37	82,275.63	
Total Operations Within "CAPS"					
Detail:					
Salaries and Wages	397,043.00	408,953.01	400,338.11	5,593.86	
Other Expenses	673,545.00	661,634.99	587,974.26	76,681.77	

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	\$ 36,000.00	\$ 36,000.00	\$ 35,934.00	\$ 66.00	
Social Security System (O.A.S.I.)	35,000.00	35,000.00	30,681.14	4,318.86	
Unemployment Insurance	3,000.00	3,000.00	1,987.83	1,012.17	
Defined Contribution Retirement Program	2,400.00	2,400.00	353.64	2,046.36	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	76,400.00	76,400.00	68,956.61	7,443.39	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,146,988.00	1,146,988.00	1,057,268.98	89,719.02	
Operations Excluded from "CAPS":					
Rockaway Valley Regional Sewerage Authority:					
Share of Costs	131,250.00	131,250.00	125,110.00	6,140.00	
911 Costs	7,500.00	7,500.00	5,500.00	2,000.00	
State and Federal Programs Offset by Revenue:					
Municipal Alliance Grant - Local Share	1,000.00	1,000.00	1,000.00		
Total Operations Excluded from "CAPS"	139,750.00	139,750.00	131,610.00	8,140.00	

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Detail:					
Other Expenses	\$ 139,750.00	\$ 139,750.00	\$ 131,610.00	\$ 8,140.00	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	10,000.00	10,000.00	10,000.00		
Total Capital Improvements - Excluded from "CAPS"	10,000.00	10,000.00	10,000.00		
Total General Appropriations Excluded from "CAPS"	149,750.00	149,750.00	141,610.00	8,140.00	
Subtotal General Appropriations	1,296,738.00	1,296,738.00	1,198,878.98	97,859.02	
Reserve for Uncollected Taxes	207,828.00	207,828.00	207,828.00		
Total General Appropriations	\$ 1,504,566.00	\$ 1,504,566.00	\$ 1,406,706.98	\$ 97,859.02	\$ -0-

Ref.

A

BOROUGH OF VICTORY GARDENS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023
(Continued)

	Analysis of	
	<u>Budget After</u>	<u>Paid or</u>
	<u>Modification</u>	<u>Charged</u>
Adopted Budget	<u>\$ 1,504,566.00</u>	
Reserve for Uncollected Taxes		\$ 207,828.00
Reserve for Appropriated Grants		1,000.00
Due to Payroll Fund		37,515.63
Cash Disbursed		<u>1,166,539.72</u>
		1,412,883.35
Less: Appropriation Refunds Due from Payroll Account		<u>6,176.37</u>
		<u>\$ 1,406,706.98</u>

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

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2023
TRUST FUNDS

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

		December 31,	
	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-1	\$ 3,951.56	\$ 3,195.83
		<u>3,951.56</u>	<u>3,195.83</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-1	90,097.37	82,135.13
		<u>90,097.37</u>	<u>82,135.13</u>
TOTAL ASSETS		<u>\$ 94,048.93</u>	<u>\$ 85,330.96</u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 2,885.36	\$ 1,940.63
Due to New Jersey State Board of Health		96.60	
Reserve for Animal Control Expenditures	B-2	<u>969.60</u>	<u>1,255.20</u>
		<u>3,951.56</u>	<u>3,195.83</u>
Other Trust Funds:			
Due to Current Fund	A	3,582.07	2,507.53
Reserve for:			
Local Enforcement Agency Inspection Fees		30,950.01	30,478.91
Escrow - Engineering Fees		5,464.49	8,600.69
P.O.A.A.		60.00	48.00
Public Defender		450.00	200.00
Tax Sale Premiums		49,000.00	40,300.00
Cannabis Escrow		<u>590.80</u>	
		<u>90,097.37</u>	<u>82,135.13</u>
TOTAL LIABILITIES AND RESERVES		<u>\$ 94,048.93</u>	<u>\$ 85,330.96</u>

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

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2023
GENERAL CAPITAL FUND

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

		December 31,	
	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 755,452.36	\$ 753,648.75
TOTAL ASSETS		<u>\$ 755,452.36</u>	<u>\$ 753,648.75</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 199,513.71	\$ 207,710.10
Capital Improvement Fund	C-6	214,548.53	204,548.53
Reserve for:			
Fire and Other Miscellaneous Equipment		93,634.34	93,634.34
Drainage Improvements		47,767.60	47,767.60
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
Lot Improvements		12,000.00	12,000.00
Fund Balance	C-1	<u>110,987.68</u>	<u>110,987.68</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 755,452.36</u>	<u>\$ 753,648.75</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, 2022	C	<u>\$ 110,987.68</u>
Balance December 31, 2023	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
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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.

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, 2023
(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 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 received; 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.

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 financed purchase agreements.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

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

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.

Prepaid Expenses – Represents payments made to vendors for services that will benefit periods beyond the current year.

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.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

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,		
	2023	2022	2021
<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-
	\$ -0-	\$ -0-	\$ -0-

Net Debt of \$-0- divided by Average Equalized Valuations of \$98,167,853.00 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	\$ 3,435,875
Net Debt	-0-
Remaining Borrowing Power	\$ 3,435,875

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

At December 31, 2023, the Borough of Victory Gardens has no debt outstanding.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 3: Fund Balance Appropriated

The amount of fund balance as of December 31, 2023 which was included in the Current Fund introduced budget for the year ending December 31, 2024 is \$350,000.

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, 2023, \$791,843.42 is available to be used to offset future taxes.

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); or the Defined Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRS) 401(a).

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 annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-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. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 6: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th 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 1/60th 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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 \$35,934 for 2023. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$905 to the PERS for normal pension benefits on behalf of the Borough.

The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 6: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

The amounts contributed on behalf of the local participating employers under the legislation is considered to be special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no pension liability or deferred outflows or inflows to report in the financial statement of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense associated with the employers in an amount equal to the nonemployer contributing entity's total proportionate share of the collective pension expense associated with the local participating employer.

Pension Liabilities and Pension Expense

At June 30, 2022, the Borough's liability was \$430,034 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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, 2022, the Borough's proportion was 0.00285%, which was a decrease of 0.00034% from its proportion measured as of June 30, 2021. The Borough has rolled forward the net pension liability as of June 30, 2022 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 and counties to include the June 30, 2022, information in the Notes to the Financial Statements as the June 30, 2023 information has not been released as of the date of this audit.

There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2022.

For the year ended December 31, 2023, the Borough recognized actual pension expense in the amount of \$35,934.

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

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, 2022) 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 6: Pension Plans (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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 June 30, 2022 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:

	June 30, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough's proportionate share of the Net Pension Liability	\$ 552,468	\$ 430,034	\$ 325,838

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, 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.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 6: Pension Plans (Cont'd)

B. Defined Contribution Retirement Program (DCRP)

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 \$353.64 for the year ended December 31, 2023. Employee contributions to DCRP amounted to \$480.24 for the year ended December 31, 2023.

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 retirement for most employees or at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$20,472. 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>2023</u>	<u>2022</u>	<u>2021</u>
<u>Tax Rate</u>	<u>\$ 3.157</u>	<u>\$ 3.066</u>	<u>\$ 2.992</u>
<u>Apportionment of Tax Rate</u>			
Municipal	1.138	1.105	1.067
County	0.353	0.334	0.320
Local School	1.666	1.627	1.605
<u>Assessed Valuations</u>			
2023	<u>\$ 70,940,700</u>		
2022		<u>\$ 70,895,600</u>	
2021			<u>\$ 70,594,900</u>

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 8: Selected Tax Information (Cont'd)

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.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2023	\$ 2,243,093	\$ 2,180,697	97.21%
2022	2,174,486	2,105,777	96.84%
2021	2,114,783	2,071,446	97.95%

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 in the investment section of this note.

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, 2023
(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
- (8) Agreements for the repurchase of fully collateralized securities if:

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

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

Investments (Cont'd)

- (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, 2023, 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	\$ 2,147,024.17	\$ 2,147,024.17
Animal Control	3,951.56	3,951.56
Other Trust	90,097.37	90,097.37
General Capital	755,452.36	755,452.36
	<u>\$ 2,996,525.46</u>	<u>\$ 2,996,525.46</u>

During the year ended December 31, 2023, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2023, was \$2,996,525.46 and the bank balance was \$2,990,899.67.

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 and 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, 2023
(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.

Note 14: Interfunds

The Borough has the following interfund balances as of December 31, 2023:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 6,467.43	
Animal Control		\$ 2,885.36
Other Trusts		3,582.07
	<u>\$ 6,467.43</u>	<u>\$ 6,467.43</u>

The interfund payable in the Animal Control Fund is prior year and current year statutory excess and December interest due to Current Fund. The interfund payable in the Other Trust Funds is December interest and anticipated uniform fire safety fees due to the Current Fund.

BOROUGH OF VICTORY GARDENS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
 (Continued)

Note 15: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2023, the Borough had the following deferred charge:

	Balance Dec. 31, 2013	Required 2024 Budget Appropriation
Current Fund:		
Expenditures Without an Appropriation	\$ 99,175.92	\$ 99,175.92

The appropriation in the 2024 budget is not less than that required by statute.

BOROUGH OF VICTORY GARDENS

SUPPLEMENTARY DATA

BOROUGH OF VICTORY GARDENS
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE YEAR ENDED DECEMBER 31, 2023

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		
Norberto Suarez	Councilwoman		
Ondria Garcia-Montes	Councilwoman		
Stuart Hale	Councilwoman		
Kendyll Hedgepath	Councilwoman		
James Glass	Councilman		
Ismael Lorenzo	Councilman		
Joseph Kovalcik	Chief Financial Officer	\$ 80,000	Selective Insurance Co.
Deborah Evans	Borough Administrator; Borough Clerk	(A)	
Leticia Diaz	Deputy Borough Clerk	(A)	
Karen Ferrone	Tax Collector (to 7/31/23)	\$ 80,000	Selective Insurance Co.
Angelica Sabatini	Tax Collector (from 8/1/23)		
Philip Feintuch	Borough Attorney		
Glen Sherman	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 Selective Insurance Company covering all employees except those separately bonded for \$1,000,000.

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2023
CURRENT FUND

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2022	A	\$ 4,215,248.20
Increased by Receipts:		
Tax Collector	\$ 2,423,324.56	
Revenue Accounts Receivable	95,065.33	
Miscellaneous Revenue Not Anticipated	67,601.94	
Interest on Investments and Deposits	106,709.69	
Reserve for Third Party Tax Title Liens	13,963.62	
Unappropriated Grant Fund:		
Alcohol Education & Rehabilitation Grant	129.79	
Stormwater Assistance	15,000.00	
Clean Communities	4,000.00	
Recycling Tonnage	2,222.49	
Appropriated Grant Refund:		
American Recovery Plan - Coronavirus SLFRF	18,733.83	
Due to Animal Control Fund:		
Prior Year Interfund Returned	1.39	
Due Other Trust Funds:		
Prior Year Interfund Returned	7.53	
LEA Trust Fund	1,543.10	
Due to State of New Jersey:		
Senior Citizens' and Veterans' Deductions	5,000.00	
Marriage License Fees	125.00	
Building Surcharge Fees	171.95	
		2,753,600.22
		6,968,848.42

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Decreased by Disbursements:		
2023 Appropriation Expenditures	\$ 1,166,539.72	
2022 Appropriation Reserve Expenditures	21,043.87	
Local School District Taxes	3,106,644.46	
County Taxes	250,480.59	
Accounts Payable	59,571.47	
Accounts Payable - Appropriated Grants	45,537.01	
Reserve for Appropriated Grant Funds:		
Clean Communities	5,540.68	
Community Block Development Grant:		
2021 - Coolidge & Monroe Ave Sidewalks	27,950.00	
New Jersey Department of Transportation Grant:		
2022 - Washington Avenue Improvements	18,733.83	
American Recovery Plan - Coronavirus SLFRF	13,369.40	
Expenditures without an Appropriation:		
Community Block Development Grant:		
2022 - Washington Avenue Improvements	99,175.92	
Refund of Tax Overpayments	1,818.14	
Reserve for Third Party Tax Title Liens	1,445.30	
Due Payroll Account	3,726.91	
Due to State of New Jersey:		
Marriage License Fees	75.00	
Building Surcharge Fees	171.95	
		\$ 4,821,824.25
Balance December 31, 2023	A	\$ 2,147,024.17

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2023

Increased by Receipts:		
Current Year Taxes Receivable	\$ 2,163,375.78	
Prior Year Taxes Receivable	67,305.10	
Interest and Costs on Taxes	16,318.65	
2024 Prepaid Taxes	14,260.28	
Tax Overpayments	5,217.64	
Miscellaneous Revenue Not Anticipated	512.76	
Sewer Maintenance Rents	156,334.35	
		<u>\$ 2,423,324.56</u>
Decreased by:		
Payments to Municipal Treasurer		<u>\$ 2,423,324.56</u>

CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2023

NOT APPLICABLE

BOROUGH OF VICTORY GARDENSCURRENT FUNDSCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2022	2023 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Canceled	Balance Dec. 31, 2023
			2022	2023			
2022	\$ 67,305.10			\$ 67,305.10			
2023		\$ 2,243,093.37	\$ 12,320.84	2,163,375.78	\$ 5,000.00	\$ (896.82)	\$ 63,293.57
	\$ 67,305.10	\$ 2,243,093.37	\$ 12,320.84	\$ 2,230,680.88	\$ 5,000.00	\$ (896.82)	\$ 63,293.57

Ref. A

A

Analysis of 2023 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 2,239,598.06
Added Taxes (54:4-63.1 et seq.)	3,495.31
	<u>\$ 2,243,093.37</u>

Tax Levy:

Local School District Taxes	\$ 1,181,193.00
County Taxes	\$ 249,999.65
Due County for Added and Omitted Taxes	390.84
County Taxes	<u>250,390.49</u>
	<u>1,431,583.49</u>
Local Tax for Municipal Purposes Levied	807,776.20
Add: Additional Tax Levied	<u>3,733.68</u>
	<u>811,509.88</u>
	<u>\$ 2,243,093.37</u>

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF SEWER LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2022	A	\$ 451.38
Decreased by:		
Cancelled		451.38
Balance December 31, 2023	A	\$ -0-

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2022	Accrued in 2023	Collected by Collector	Treasurer	Canceled	Balance Dec. 31, 2023
Licenses:						
Alcoholic Beverages		\$ 2,500.00		\$ 2,500.00		
Fines and Costs:						
Municipal Court	\$ 155.08	2,597.41		2,559.49		\$ 193.00
Sewer Rents	15,313.38	156,828.64	\$ 156,334.35			15,807.67
Energy Receipts Tax		74,215.47		74,215.47		
Municipal Relief Fund		7,688.37		7,688.37		
Uniform Construction Code Fees		8,102.00		8,102.00		
Uniform Fire Safety Act		2,500.00		2,500.00		
Community Development Block Grant:						
2021 - Coolidge and Monroe Avenues Sidewalks	27,950.00					27,950.00
New Jersey Department of Transportation:						
2018 - Adams and Polk Avenues	13,658.50				\$ 13,658.50	
2020 - Garfield Avenue, Taft Avenue and Polk Court	4,590.40				4,590.40	
2021 - Jefferson, Coolidge and Monroe Avenues	27,030.64				27,030.64	
2022 - Washington Avenue Improvements	26,250.00			26,250.00		
	<u>\$ 114,948.00</u>	<u>\$ 254,431.89</u>	<u>\$ 156,334.35</u>	<u>\$ 123,815.33</u>	<u>\$ 45,279.54</u>	<u>\$ 43,950.67</u>
Ref.	A					A
		Revenue Accounts Receivable		\$ 95,065.33		
		Prior Year Grant Receivables		26,250.00		
		Due from Other Trust Fund - LEA		2,500.00		
				<u>\$ 123,815.33</u>		

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2023

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF 2022 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2023

	Balance Dec. 31, 2022	Balance After Transfers	Paid or Charged	Balance Lapsed
Mayor and Council:				
Salaries and Wages	\$ 684.02	\$ 684.02		\$ 684.02
Other Expenses	264.58	264.58	\$ 19.95	244.63
Municipal Clerk:				
Salaries and Wages	3,055.65	3,055.65		3,055.65
Other Expenses	77.43	77.43		77.43
Financial Administration:				
Salaries and Wages	4,410.01	4,410.01		4,410.01
Other Expenses	1,680.14	1,680.14		1,680.14
Revenue Administration (Tax Collection):				
Salaries and Wages	510.01	510.01		510.01
Other Expenses	956.01	956.01		956.01
Tax Assessment Administration:				
Salaries and Wages	290.00	290.00		290.00
Other Expenses	11.31	11.31		11.31
Legal Services and Costs:				
Other Expenses	596.86	596.86		596.86
Engineering Services and Costs:				
Other Expenses	2,739.66	4,516.32	4,516.32	
Planning Board:				
Other Expenses	3,048.60	3,048.60		3,048.60
Zoning Official:				
Salaries and Wages	3,145.01	3,145.01		3,145.01
Insurance:				
Group Insurance Plan for Employees	9,616.90	1,337.48		1,337.48
Other Insurance Premiums	1,920.42	1,920.42	188.88	1,731.54
Emergency Management:				
Other Expenses	510.00	510.00		510.00
Fire:				
Aid to Volunteer Fire Companies	1,700.00	1,700.00		1,700.00
Other Expenses	15.84	15.84		15.84
Other Expenses - Fire Hydrants	118.00	118.00		118.00
Uniform Fire Safety:				
Other Expenses	1,000.00	1,000.00		1,000.00
Road Repair and Maintenance:				
Salaries and Wages	5,908.76	16,318.72	16,318.72	
Other Expenses	3,907.20			
Traffic Lights	1,600.00	1,600.00		1,600.00

BOROUGH OF VICTORY GARDENS
CURRENT FUND
SCHEDULE OF 2022 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2023
(Continued)

	Balance Dec. 31, 2022	Balance After Transfers	Paid or Charged	Balance Lapsed
Garbage and Trash Removal	\$ 7,007.76	\$ 7,007.76		\$ 7,007.76
Public Buildings and Grounds:				
Other Expenses	16.14	16.14		16.14
Property Maintenance:				
Salaries and Wages	249.99	249.99		249.99
Other Expenses	455.36	455.36		455.36
Board of Health:				
Other Expenses	500.00	500.00		500.00
Health Services:				
Contractual	1,557.50	1,557.50		1,557.50
Dog Regulation:				
Salaries and Wages	1,303.97	1,303.97		1,303.97
Other Expenses	2,092.82	2,092.82		2,092.82
Recreation and Education:				
Other Expenses	2,958.35	2,958.35		2,958.35
Utility Expenses and Bulk Purchases:				
Utilities	2,045.62	2,045.62		2,045.62
Street Lighting	4,463.63	4,463.63		4,463.63
Municipal Court:				
Other Expenses	4,130.04	4,130.04		4,130.04
Inspection of Buildings:				
Salaries and Wages	870.06	870.06		870.06
Other Expenses	650.00	650.00		650.00
Contribution to:				
Social Security System (O.A.S.I.)	3,783.85	3,783.85		3,783.85
Unemployment Insurance	1,139.32	1,139.32		1,139.32
Defined Contribution Retirement Program	1,256.58	1,256.58		1,256.58
Rockaway Valley Regional Sewerage Authority:				
Share of Costs	1,006.50	1,006.50		1,006.50
911 Costs	4,000.00	4,000.00		4,000.00
	<u>\$ 87,253.90</u>	<u>\$ 87,253.90</u>	<u>\$ 21,043.87</u>	<u>\$ 66,210.03</u>

Ref. A

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

	<u>Ref.</u>	
Balance December 31, 2022	A	\$ 2,194,549.35
Increased by:		
Levy - Calendar Year 2023		1,181,193.00
Decreased by:		
Payments to Local School District		<u>3,106,644.46</u>
Balance December 31, 2023	A	<u><u>\$ 269,097.89</u></u>

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2023
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, 2022	B	\$ 3,195.83	\$ 82,135.13
Increased by Receipts:			
State Registration Fees		\$ 96.60	
Animal Control:			
License Fees		378.00	
Late Fees and Miscellaneous		257.90	
Due Current Fund:	.		
Interest Earned		24.62	\$ 125.17
Local Enforcement Agency:			
Inspection Fees			1,428.00
Engineering Escrow Deposits			2,800.00
P.O.A.A. Deposits			12.00
Public Defender			250.00
Tax Sale Premiums			14,100.00
Cannabis Escrow			10,000.00
		<u>757.12</u>	<u>28,715.17</u>
		3,952.95	110,850.30
Decreased by Disbursements:			
Due Current Fund:			
Prior Year Interfund Returned		1.39	7.53
Engineering Escrow			5,936.20
Tax Sale Premiums			5,400.00
Cannabis Escrow			9,409.20
		<u>1.39</u>	<u>20,752.93</u>
Balance December 31, 2023	B	<u>\$ 3,951.56</u>	<u>\$ 90,097.37</u>

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

	<u>Ref.</u>		
Balance December 31, 2022	B	\$	1,255.20
Increased by:			
Animal Control License Fees Collected		\$	378.00
Late and Miscellaneous Fees Collected			<u>257.90</u>
			<u>635.90</u>
			1,891.10
Decreased by:			
Statutory Excess Due to Current Fund			<u>921.50</u>
Balance December 31, 2023	B	\$	<u><u>969.60</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2021	\$ 567.60
2022	<u>402.00</u>
Maximum Allowable Reserve	<u><u>\$ 969.60</u></u>

BOROUGH OF VICTORY GARDENS
COUNTY OF MORRIS
2023
GENERAL CAPITAL FUND

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2022	C	\$ 753,648.75
Increased by Receipts:		
2023 Budget Appropriations:		
Capital Improvement Fund		10,000.00
		<u>763,648.75</u>
Decreased by:		
Improvement Authorization Expenditures		8,196.39
		<u>8,196.39</u>
Balance December 31, 2023	C	<u><u>\$ 755,452.36</u></u>

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2022	Receipts Budget Appropriations	Disbursements Improvement Authorizations	Balance/ (Deficit) Dec. 31, 2023
Capital Fund Balance	\$ 110,987.68			\$ 110,987.68
Capital Improvement Fund	204,548.53	\$ 10,000.00		214,548.53
Reserve for:				
Fire and Other Miscellaneous Equipment	93,634.34			93,634.34
Drainage Improvements	47,767.60			47,767.60
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
Lot Improvements	12,000.00			12,000.00
Ordinance				
Date	Improvement Description			
05/22/01	Reconstruction of Borough Hall	118,877.23		118,877.23
04/25/17	Purchase of a Leaf Loader	2,539.90		2,539.90
09/12/17	Purchase Truck for DPW	7,946.00		7,946.00
09/26/17	Renovate Playground	751.59		751.59
04/10/18	Renovate Firehouse	57,168.15	\$ 8,196.39	48,971.76
01/14/20	Improvements to Firehouse Parking Lot	20,427.23		20,427.23
		<u>\$ 753,648.75</u>	<u>\$ 10,000.00</u>	<u>\$ 755,452.36</u>

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2023

NOT APPLICABLE

BOROUGH OF VICTORY GARDENS
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance		Balance	Paid or Charged	Balance
	Date	Amount	Dec. 31, 2022 Funded		Dec. 31, 2023 Funded
Reconstruction of Borough Hall	05/22/01	\$ 1,000,000.00	\$ 118,877.23		\$ 118,877.23
Purchase of a Leaf Loader	04/25/17	10,000.00	2,539.90		2,539.90
Purchase Truck for DPW	09/12/17	55,000.00	7,946.00		7,946.00
Renovate Playground	09/26/17	95,000.00	751.59		751.59
Renovate Firehouse	04/10/18	75,000.00	57,168.15	\$ 8,196.39	48,971.76
Improvements to Firehouse Parking Lot	01/14/20	130,000.00	20,427.23		20,427.23
			<u>\$ 207,710.10</u>	<u>\$ 8,196.39</u>	<u>\$ 199,513.71</u>
		<u>Ref.</u>	C		C

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

	<u>Ref.</u>	
Balance December 31, 2022	C	\$ 204,548.53
Increased by:		
2023 Budget Appropriation		<u>10,000.00</u>
Balance December 31, 2023	C	<u><u>\$ 214,548.53</u></u>

BOROUGH OF VICTORY GARDENS

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2023

BOROUGH OF VICTORY GARDENS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Name of Federal Agency or Department	Name of Program	Assistance Listing 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 Treasury: (Passed through the New Jersey Department of Community Affairs)	COVID-19 - American Rescue Plan: Coronavirus State & Local Government Fiscal Recovery Funds	21.027	022-8030-100 -687-046010	03/03/21	12/31/24	\$ 153,862.78		\$ 13,369.40	\$ 49,010.57	
	Total U.S. Department of Treasury							13,369.40	49,010.57	
U.S. Department of Housing and Urban Development: (Passed through County of Morris)	Community Development Block Grant: Coolidge and Monroe Aves Sidewalks Washington Ave Improvements	14.218	N/A N/A	01/01/21 01/01/22	12/31/24 12/31/24	27,950.00 104,500.00		27,950.00 99,175.92	27,950.00 99,175.92	
	Total U.S. Department of Housing and Urban Development							127,125.92	149,525.92	
	Total Federal Awards						\$ -0-	\$ 140,495.32	\$ 49,010.57	\$ -0-

N/A - Not applicable

BOROUGH OF VICTORY GARDENS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

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	042-4900-765	01/01/21	12/31/23	\$ 4,000.00		\$ 1,650.41	\$ 4,000.00
		004-178910	01/01/22	12/31/24	4,000.00		3,890.27	3,890.27
			01/01/23	12/31/24	4,000.00	\$ 4,000.00		
	Total Clean Communities					4,000.00	5,540.68	7,890.27
	Recycling Tonnage Grant	042-4910-100						
		224-238490	01/01/23	12/31/24	2,222.49	2,222.49		
	Stormwater Assistance	042-4850-100						
		099-290400	01/01/23	12/31/24	15,000.00	15,000.00		
Total Department of Environmental Protection						21,222.49	5,540.68	7,890.27
Department of Health & Senior Services	Alcohol Education and Rehabilitation Program	098-9735-760-						
		001-060000	01/01/23	12/31/24	129.79	129.79		
Total Department of Health & Senior Services						129.79		
Department of Transportation	Municipal Aid Program: Jefferson, Coolidge & Monroe Aves Washington Avenue	480-078-6320-						
		AOP-606281	01/01/21	12/31/23	120,000.00			93,363.86
		AO1-606282	01/01/22	12/31/23	105,000.00	26,250.00	18,733.83	105,000.00
Total Department of Transportation						26,250.00	18,733.83	198,363.86
Total State Awards						\$ 47,472.49	\$ 24,274.51	\$ 206,254.13

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, 2023

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include 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, 2023. 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 cash 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.



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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, 2023 and 2022, and the related notes to the financial statements and have issued our report thereon dated June 7, 2024. 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.

Report on 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) as a basis for designing 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the Borough's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Borough's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
June 7, 2024

Nisivoccia LLP
NISIVOCIA LLP

Man C Lee

Man C. Lee
Certified Public Accountant
Registered Municipal Accountant No. 562

BOROUGH OF VICTORY GARDENS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023 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 2023-001:

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.

Cause

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

BOROUGH OF VICTORY GARDENS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Continued)

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

Finding 2023-001: (Cont'd)

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.

Finding 2023-002:

Fixed Assets and Encumbrances

Accounting Requirements – New Jersey Administrative Code

Criteria

Fixed assets and encumbrances accounting and reporting systems are 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 over-expenditures 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
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Continued)

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

Finding 2023-002: (Cont'd)

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. Also, during our review of purchase orders processed during the year, we noted that there were purchase orders that were approved after orders were placed for certain goods or services.

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.

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, 2023

The prior year findings 2022-001 regarding segregation of duties and 2022-002 regarding fixed assets and encumbrances have not been resolved due to budgetary constraints and are included as current year Findings 2023-001 and 2023-002.

BOROUGH OF VICTORY GARDENS

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2023

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, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

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.

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:

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 31st 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/Sewer Liens

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

<u>Year</u>	<u>Number of Liens</u>
2023	0
2022	1
2021	2

Verification of Delinquent Taxes and Other Charges

A tax sale was held on November 9, 2023.

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, 2023. 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)

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.

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.

Management's Response

Duties of personnel will be reviewed to determine where a more adequate segregation of duties can be provided.

Accounting Records

Our audit of the accounting records revealed that:

1. Bank reconciliations for all bank accounts were not completed in a timely manner. In addition, there were older outstanding reconciling items from prior years still outstanding as of December 31, 2023.
2. The general ledgers were not updated in a timely manner. Certain entries, such as the tax levy, sewer utility billings, and interfund transactions, were not posted. Interfunds and reconciling items were not cleared properly in the current year. The general ledgers for the various funds were not reconciled with the subsidiary ledgers, such as revenue and expenditure reports and outside department cashbooks. Significant reclassifications of journal entries were posted.
3. Transfers between budget line items were not formally approved by the governing body.

It is recommended that:

1. Bank reconciliations for all bank accounts be completed on a monthly basis and older reconciling items be liquidated or reviewed for possible cancellation.
2. The general ledger be updated and reconciled with all subsidiary ledgers and outside department cashbooks on a monthly basis.
3. Budget appropriation transfers be formally approved by the governing body.

BOROUGH OF VICTORY GARDENS
COMMENTS AND RECOMMENDATIONS
(Continued)

Accounting Records (Cont'd)

Management's Response

The Borough will make every effort to resolve these recommendations in 2024. The Borough is currently in the process of switching to a new accounting system.

Deficit Escrow Balances

There are certain individual engineering escrow accounts with deficit balances. These deficit balances originated prior to 2015 and has been slowly growing. It is recommended that deficit engineering escrow accounts be reviewed for pursuit of collection or possible cancellation.

Management's Response

The Borough will make every effort to resolve this recommendation in 2024.

Expenditure without Appropriation

A CDBG grant award for the Washington Avenue Improvement project was expended in 2023. However, the Borough did not adopt a resolution for the insertion of a special item of revenue and submit to the state for approval as per N.J.S.A.40A:4-87. It is recommended that a resolution for the insertion of a special item of revenue for any grant awards not included in the annual budget be adopted by the governing body and submitted to the State for approval.

Management's Response

The Borough will make every effort to ensure that a Chapter 159 resolution is adopted and submitted as required.

Municipal Court

The transactions for the year 2023 were as follows:

	Balance Dec. 31, 2022	Receipts	Disbursements	Balance Dec. 31, 2023
State of New Jersey	\$ 694.29	\$ 3,829.87	\$ 4,524.16	
County		150.00	150.00	
Municipality:				
Fines and Fees	155.08	2,597.41	2,559.49	\$ 193.00
P.O.A.A. - FTA		12.00	12.00	
Restitution		200.00	100.00	100.00
Public Defender		250.00	250.00	
Weights and Measures		2,050.00	2,050.00	
Cash Bail	10.00	700.00	700.00	10.00
Total	<u>\$ 859.37</u>	<u>\$ 9,789.28</u>	<u>\$ 10,345.65</u>	<u>\$ 303.00</u>

BOROUGH OF VICTORY GARDENS
COMMENTS AND RECOMMENDATIONS
(Continued)

Purchase Orders and Payment of Claims

1. During our review of purchase orders, we noted instances where claimant's signatures were not obtained. Local Finance Notice 2018-13 allows greater flexibility for local units in implementing the claimant certification on vouchers requirement set forth in N.J.S.A. 40A:5-16(a). A local unit may enact a standard policy through resolution or ordinance, as appropriate, to not require claimant certification under certain circumstances. However, since the Borough has adopted a resolution in accordance with LFN 2018-13 in 2024, a formal recommendation is not deemed necessary.
2. Payments for state share of animal and marriage licenses fees and health benefit premiums were not remitted to the State in a timely manner. It is recommended that extra care be taken to ensure that state share of animal and marriage licenses fees and health benefit premium are remitted to the State in a timely manner.

Management's Response

The Borough will make every effort to resolve this recommendation in 2024.

Payroll

It was noted that employee health contributions were not updated in the payroll system to reflect the 2023 premium rates. As a result, the incorrect amount of employee health contribution was withheld. It is recommended that extra care be taken to ensure that the correct amount of employee health contribution is withheld.

Management's Response

The Borough will ensure that the health premium rates are updated in the payroll system in 2024.

Management Suggestions

Capital Improvement Balances

Our review of the improvement authorizations in the Capital Funds revealed several older ordinances with unexpended balances. It is suggested that improvement authorization balances be reviewed in order to cancel any balances on completed projects.

Surety Bond Coverage

It was noted that the separate surety bond coverage for the tax collector was not switched over to the current tax collector when the prior tax collector had resigned. As there is a blanket crime coverage policy in place, a formal recommendation is not warranted. However, it is suggested that the separate surety bond coverage be changed to name the current tax collector.

BOROUGH OF VICTORY GARDENS
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions (Cont'd)

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 101, *Compensated Absences*, is effective for the year ended December 31, 2024. This statement requires that the liability for compensated absences to be calculated for 1 – leave that has not been used and 2 – leave that has been used but not yet paid. The liability should be recognized for leave that has not been used if (a) – the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. The Statement directs that for leave that has not been used the calculation should generally use an employee's pay rate as of the date of the financial statements.

COVID-19 Federal Funding

It is possible that the Borough will undergo some review of its COVID-19 funding by the federal government. We strongly suggest that the Borough ensures that these funds are utilized in accordance with the applicable federal requirements especially with respect to procurement. Additionally, we strongly suggest that the Borough ensures that these funds are separately accounted for in the Borough's accounting records and that any applicable Borough policies are current with respect to federal grant requirements.

Because of the nature of these funds, being new programs, generally of a significant dollar amount, and some of which may be expended over a period of years, they may be subject to federal or state audit several years from now. It is important that the grant files maintained by local governments be complete, self-explanatory, and fully document the program(s) undertaken as part of the funding.

The American Rescue Plan funding must be obligated by December 31, 2024 and the liquidation of the obligation must be completed by December 31, 2026.

Corrective Action Plan

The prior year recommendation regarding claimant certification has been resolved. Prior year recommendations regarding segregation of duties, fixed assets, and encumbrance accounting and reporting systems, update of the general ledger and reconciliation with subsidiary ledgers and outside offices monthly records, budget appropriation transfers, deficit engineering escrow balances, and employee health benefit contributions were not resolved and are included as current year recommendations.

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.
3. Bank reconciliations for all bank accounts be completed on a monthly basis and older reconciling items be liquidated or reviewed for possible cancellation.
4. The general ledger be updated and reconciled with all subsidiary ledgers and outside department cashbooks on a monthly basis.
5. Budget appropriation transfers be formally approved by the governing body.
6. Deficit engineering escrow accounts be reviewed for pursuit of collection or possible cancellation.
7. Extra care be taken to ensure that state share of animal and marriage licenses fees and health benefit premiums are remitted to the State in a timely manner.
8. A resolution for the insertion of a special item of revenue for any grant awards not included in the annual budget be adopted by the governing body and submitted to the State for approval.
9. Extra care be taken to ensure that the correct amount of employee health contribution is withheld.

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