

TOWNSHIP OF MONTGOMERY

PART II

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

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and Members  
of the Township Committee  
Township of Montgomery  
County of Somerset  
Belle Mead, New Jersey 08502

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Township of Montgomery, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's regulatory financial statements, and have issued our report thereon dated September 15, 2014. Our report disclosed that, as described in Note 1 to the financial statements, the Township of Montgomery prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

## SUPLEE, CLOONEY & COMPANY

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 Township'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.

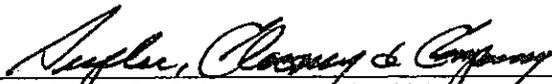
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We noted other matters in the internal control which are discussed in Part III, General Comments and Recommendations section of the audit report.

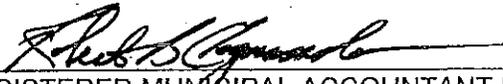
### ***Compliance and Other Matters***

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

### ***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 Township'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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

September 15, 2014

TOWNSHIP OF MONTGOMERY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2013

FEDERAL CFDA NUMBER	STATE ACCOUNT NUMBER	GRANT PERIOD FROM TO	GRANT AWARD AMOUNT	2013 FUNDS RECEIVED	2013 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2013
<b>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</b>						
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>						
66.458	707-042-4840-011-xxxxxxx	03/10/10 To Completion	10,585,694.00 \$	412.00 \$	412.00 \$	10,585,694.00
66.468	707-042-4840-011-xxxxxxx	12/02/10 To Completion	8,111,250.00	175,782.00	175,782.00	7,650,710.00
			\$	176,194.00 \$	176,194.00 \$	18,236,404.00
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>						
97.036	N/A	01/01/13 12/31/13	110,377.72 \$	110,377.72 \$	110,377.72 \$	110,377.72
			\$	110,377.72 \$	110,377.72 \$	110,377.72
<b>U.S. DEPARTMENT OF JUSTICE</b>						
<b>PASS THROUGH STATE OF NEW JERSEY</b>						
<b>DIVISION TRAFFIC SAFETY</b>						
20.602	1160-100-066-1160-137-YHTS-6120	1/1/2012 12/31/2012	10,000.00 \$	\$	\$	10,000.00
20.602	1160-100-066-1160-137-YHTS-6120	1/1/2013 12/31/2013	1,500.00	1,500.00	1,500.00	1,500.00
20.602	1160-100-066-1160-113-YHTS-6020	1/1/2013 12/31/2013	4,000.00	4,000.00	4,000.00	4,000.00
			\$	5,500.00 \$	5,500.00 \$	15,500.00
<b>DEPARTMENT OF JUSTICE</b>						
16.607		Various	3,776.48 \$	\$	\$	654.50
			\$	\$	\$	654.50
			\$	282,071.72 \$	282,071.72 \$	18,362,936.22

TOWNSHIP OF MONTGOMERY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS

YEAR ENDED DECEMBER 31, 2013

STATE GRANTOR/PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT PERIOD		GRANT AWARD AMOUNT	2013 RECEIVED	2013 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2013
		FROM	TO				
Pass through County of Somerset Municipal Alliance Municipal Alliance	N/A N/A	1/1/12 1/1/13	12/31/12 12/31/13	15,313.00 \$ 14,376.75	10,510.25 \$ 9,180.91	3,611.19 \$ 2,688.72	15,313.00 2,688.72
				19,691.16 \$	6,299.91 \$	18,001.72	
Department of Environmental Protection Municipal Stormwater Grant	N/A	1/1/08	12/31/08	20,086.00 \$	\$	\$	12,150.00
Clean Communities Program	4900-765-042-4900-004-V42Y-6020	1/1/13	12/31/13	52,014.82			
Clean Communities Program	4900-765-042-4900-004-V42Y-6020	1/1/10	12/31/10	50,317.98	25,248.94		50,317.98
Clean Communities Program	4900-765-042-4900-004-V42Y-6020	1/1/11	12/31/11	44,888.40	16,498.29		16,498.29
Clean Communities Program Revolving Fund (Trust Portion)	4900-765-042-4900-004-V42Y-6020	1/1/12	12/31/12	44,302.59			
Skilman Village (S240-130-01) Pikebrook (S340-130-02-1)	707-042-4840-011-xxxxxx 707-042-4840-011-xxxxxx	09/10/10 12/02/10	To Completion To Completion	3,455,000.00 1,675,000.00	178,535.22 312,446.00	45,047.22 33,483.00	3,452,117.22 1,584,776.00
Open Space	4800-533-042-4800-003-V22G-6019	1/1/12	12/31/12	34,600.00			
Open Space	4800-533-042-4800-003-V22G-6020	1/1/13	12/31/13	9,700.00	9,700.00		9,700.00
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	1/1/13	12/31/13	26,421.76	26,421.76		26,421.76
				579,117.80 \$	156,399.21 \$	5,151,983.25	
Department of Law and Public Safety Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	12/1/12	12/31/12	4,849.35 \$	\$	919.07 \$	919.07
Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	1/1/11	12/31/11	9,184.87		1,052.15	9,184.87
Drive Sober or Get Pulled Over		1/1/13	12/31/13	4,275.00	4,275.00		
Body Armor Replacement Fund - 2012	1020-718-068-1020-001-YCJS-6120	1/1/12	12/31/12	3,126.97			
Body Armor Replacement Fund - 2013	1020-718-068-1020-001-YCJS-6120	1/1/13	12/31/13	3,924.95	3,924.95		
Body Armor Replacement Fund - 2010	1020-718-068-1020-001-YCJS-6120	1/1/10	12/31/10	4,097.95			1,309.00
Alcohol Education and Rehabilitation Fund	9735-760-098-Y900-001-X100-6020		Prior Years	160.64			
				8,189.95 \$	1,971.22 \$	11,412.94	
Department of Health NJ Health Officers Association	N/A	1/1/11	12/31/11	10,000.00 \$	\$	1,244.85 \$	10,000.00
Public Health Mini Collaborative			Continuous	3,000.00		1,500.00	3,000.00
				\$	\$	2,744.85 \$	13,000.00
Department of Transportation Safe Corridors	6100-100-051-07		Continuous	38,034.90 \$		(2.78) \$	37,894.06
Safe Corridors	6100-100-051-07		Continuous	31,547.02		31,547.02	31,547.02
East Mountain Road	6320-480-078-6320-AKN-TCAP-6010		Continuous	200,000.00			
Cherry Valley Road	6320-480-078-6320-AKN-TCAP-6010		Continuous	215,000.00	53,750.00		
				91,784.90 \$	31,544.24 \$	69,241.06	
				688,793.81 \$	198,959.43 \$	5,263,638.99	

TOWNSHIP OF MONTGOMERY

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2013

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state financial awards of the Township of Montgomery, County of Somerset, New Jersey. All federal and state financial awards received directly from federal or state agencies, as well as federal financial awards passed through other government agencies is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Township's financial statements - regulatory basis.

NOTE 3. 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.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS

Amounts reported in the accompanying schedules agree with amounts reported in the Township's regulatory basis financial statements. These amounts are reported in either the Current Fund, Grant Fund, General Capital Fund or Trust Other Fund. Reconciliations of revenues and expenses are presented on the following page.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS  
(CONTINUED)

Revenues:	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ 110,377.72	\$	\$	\$ 110,377.72
Grant Fund	5,500.00	207,812.59	10,000.00	223,312.59
Sewer Utility Capital Fund	<u>176,194.00</u>	<u>490,981.22</u>	<u>                    </u>	<u>667,175.22</u>
	<u>\$ 292,071.72</u>	<u>\$ 698,793.81</u>	<u>\$ 10,000.00</u>	<u>\$ 1,000,865.53</u>

Expenditures:	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ 110,377.72	\$	\$	\$ 110,377.72
Grant Fund	5,500.00	120,429.21	9,217.15	135,146.36
Sewer Utility Capital Fund	<u>176,194.00</u>	<u>78,530.22</u>	<u>                    </u>	<u>254,724.22</u>
	<u>\$ 292,071.72</u>	<u>\$ 198,959.43</u>	<u>\$ 9,217.15</u>	<u>\$ 500,248.30</u>

NOTE 5. OTHER

Matching contributions expended by the Township in accordance with terms of the various grants are not reported in the accompanying schedule.

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PART III

TOWNSHIP OF MONTGOMERY

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - CURRENT FUND

	<u>YEAR 2013</u>		<u>YEAR 2012</u>	
	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 2,998,680.00	2.46	\$ 2,500,000.00	1.97
Miscellaneous-From Other Than Local				
Property Tax Levies	13,710,925.66	11.27	21,959,160.85	17.35
Collection of Delinquent Taxes and				
Tax Title Liens	908,473.45	0.75	839,468.57	0.66
Collection of Current Tax Levy	<u>104,059,551.43</u>	<u>85.52</u>	<u>101,303,357.11</u>	<u>80.02</u>
<u>TOTAL INCOME</u>	<u>\$ 121,677,630.54</u>	<u>100.00%</u>	<u>\$ 126,601,986.53</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 25,018,592.92	21.26	\$ 32,940,815.61	26.79
County Taxes	17,542,400.51	14.91	16,581,835.06	13.48
School Taxes	71,599,362.86	60.85	70,275,816.44	57.15
Municipal Open Space Taxes	1,486,496.00	1.26	1,487,977.77	1.21
Special District Taxes	1,542,250.00	1.31	1,496,050.00	1.22
Other	<u>474,046.62</u>	<u>0.40</u>	<u>183,552.02</u>	<u>0.15</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 117,663,148.91</u>	<u>100.00%</u>	<u>\$ 122,966,046.90</u>	<u>100.00%</u>
Excess in Revenue	\$ 4,014,481.63		\$ 3,635,939.63	
Adjustments to Income Before Fund Balance				
Expenditures Included Above Which are by Statute			90,550.00	
Deferred Charges to the Budget of the Succeeding Year			<u>90,550.00</u>	
Statutory Excess to Fund Balance	\$ 4,014,481.63		\$ 3,726,489.63	
Fund Balance, January 1	<u>4,212,878.56</u>		<u>2,986,388.93</u>	
	\$ 8,227,360.19		\$ 6,712,878.56	
Less: Utilization as Anticipated Revenue	<u>2,998,680.00</u>		<u>2,500,000.00</u>	
Fund Balance, December 31	<u>\$ 5,228,680.19</u>		<u>\$ 4,212,878.56</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE-SEWER UTILITY FUND

	YEAR 2013		YEAR 2012	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 2,427,500.00	29.62	\$ 2,131,300.00	23.19
Collection of Sewer Use Charges	5,111,253.79	62.37	5,140,889.11	55.93
Miscellaneous-From Other Than Sewer Use	656,905.20	8.02	1,918,823.79	20.88
<u>TOTAL INCOME</u>	<u>\$ 8,195,658.99</u>	<u>100.00%</u>	<u>\$ 9,191,012.90</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Operating	\$ 3,167,012.00	44.48	\$ 3,258,400.00	47.65
Capital Improvements	100,000.00	1.40	100,000.00	1.46
Debt Service	2,741,950.67	38.51	1,988,627.69	29.08
Deferred Charges and Regulatory Expenditures	192,002.80	2.70	514,500.00	7.52
Surplus (General Budget)	919,100.00	12.91	957,100.00	14.00
Other	50.00	0.00	19,501.48	0.29
<u>TOTAL EXPENDITURES</u>	<u>\$ 7,120,115.47</u>	<u>100.00%</u>	<u>\$ 6,838,129.17</u>	<u>100.00%</u>
Excess in Revenue	\$ 1,075,543.52		\$ 2,352,883.73	
Adjustments to Income Before Surplus:				
Expenditures Included Above Which are by Statute			22,100.00	
Deferred Charges to Budget of Succeeding Year				
Statutory Excess to Surplus	1,075,543.52		2,374,983.73	
Fund Balance, January 1	4,013,332.10		3,769,648.37	
	\$ 5,088,875.62		\$ 6,144,632.10	
Decreased by:				
Utilization as Anticipated Revenue	2,427,500.00		2,131,300.00	
Fund Balance, December 31	<u>\$ 2,661,375.62</u>		<u>\$ 4,013,332.10</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate	<u>\$2.784</u>	<u>\$2.709</u>	<u>\$2.659</u>
Appointment of Tax Rate:			
Municipal	\$0.320	\$0.311	\$0.304
Municipal Open Space	0.040	0.040	0.040
County	0.381	0.358	0.355
County Open Space	0.038	0.037	0.038
County Library	0.055	0.052	0.052
Regional School	<u>1.950</u>	<u>1.911</u>	<u>1.870</u>

Assessed Valuation:

2013	\$ <u>3,706,651,369.00</u>		
2012		\$ <u>3,708,887,217.00</u>	
2011			\$ <u>3,726,177,037.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>YEAR</u>	<u>TAX LEVY</u>	<u>CASH COLLECTIONS</u>	<u>PERCENTAGE OF COLLECTION</u>
2013	\$ 104,964,221.72	\$ 104,059,551.43	99.13%
2012	102,265,612.35	101,303,357.11	99.05%
2011	100,829,780.51	99,702,156.54	98.88%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison expressed in percentage of the total delinquent taxes, in relation to the tax levies of the last three years:

<u>YEAR</u>		<u>AMOUNT OF TAX TITLE LIENS</u>		<u>AMOUNT OF DELINQUENT TAXES</u>		<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2013	\$	254,990.30	\$	782,648.89	\$	1,037,639.19	0.99%
2012		253,064.75		739,141.46		992,206.21	0.97%
2011		230,229.34		850,162.54		1,080,391.88	1.07%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2013	\$115,210.00
2012	115,210.00
2011	115,210.00

COMPARISON OF SEWER UTILITY LEVIES

<u>YEAR</u>		<u>LEVY</u>		<u>CASH COLLECTIONS *</u>
2013	\$	5,019,147.05	\$	5,111,253.79
2012		5,019,181.83		5,140,889.11
2011		4,638,676.17		4,717,397.85

\* Includes Collection of Prior Year Levies

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>BALANCE</u> <u>DECEMBER 31</u>	<u>UTILIZED</u> <u>IN BUDGET OF</u> <u>SUCCEEDING YEAR</u>
Current Fund	2013	\$ 5,228,680.19	\$ 3,180,000.00
	2012	4,212,878.56	2,998,680.00
	2011	2,986,388.93	2,500,000.00
	2010	5,604,984.62	5,300,000.00
	2009	7,025,687.31	5,507,146.00
Sewer Utility Operating Fund	2013	\$ 2,661,375.62	\$ 1,650,000.00
	2012	4,013,332.10	2,427,500.00
	2011	3,769,648.37	2,131,300.00
	2010	3,507,023.51	1,100,000.00
	2009	3,415,507.13	1,152,610.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF SURETY</u>
Ed Trzaska	Mayor		
Patricia Graham	Deputy Mayor		
Christine Madrid	Committeeperson		
Rick Smith	Committeeperson		
Chris Sugden	Committeeperson		
Kristina P. Hadinger	Attorney		
Donato Nieman	Administrator		
Donna Kukla	Township Clerk		
Walter Sheppard	Chief Financial Officer/ Tax Collector	\$1,000,000.00	M.J.J.I.F.
Claire Higgins	Assistant Chief Financial Officer		
John Richardson	Magistrate	\$1,000,000.00	M.J.J.I.F.
Lori Zelasko	Court Administrator to 7/23/13	\$1,000,000.00	M.J.J.I.F.
Susan Keeth	Court Administrator from 9/20/13		
Nancy Horvath	Deputy Court Administrator		
Robert Palmer	Police Captain/Director		
Roy Mondl	Construction Code Official		
Gail Smith	Municipal Engineer		

All other employees were covered under a blanket bond in the amount of \$950,000.00 issued by the Mid Jersey Joint Insurance Fund (M.J.J.I.F.)

All bonds were examined and were properly executed.

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GENERAL COMMENTS AND RECOMMENDATIONS

## GENERAL COMMENTS

### CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c.198 (C.40A:11-3), except by contract or agreement.

Effective July 1, 2012, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00. In accordance with N.J.S.A. 40A:11-3 and authorized by a resolution dated July 1, 2010 of the governing body, the bid threshold for all purchases made by the Township's qualified purchasing agent is \$36,000.00.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute the Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

- Pump Station Improvements
- Electrical Repair Services
- Demolition Project
- Hook Lift Truck Conversion
- Various Road Improvements
- Chip Sealing of Various Roads
- Mason Dump Truck

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. Our audit of expenditures did not reveal any individual payments, contracts or agreements in excess of \$36,000.00 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

CONTRACTS AND AGREEMENTS REQUIRED  
TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4) (CONTINUED)

The minutes indicate that resolution authorizing contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5 was advertised during 2013 for the following professional services:

Township Auditor  
Township Engineer  
Township Attorney  
Bond Counsel

Risk Management Consultant  
Appraisal Services  
Financial Advisors  
Township Planner

COLLECTION OF INTEREST ON DELINQUENT  
TAXES AND ASSESSMENTS

The governing body on January 3, 2013 adopted the following resolution authorizing interest to be charged on delinquent taxes.

WHEREAS, N.J.S.A. 54:4-67 permits the Township to establish by resolution the rate of interest to be charged for the nonpayment of taxes or assessments on any installment which is not made within the tenth calendar day following the date upon which same became due and payable; and

WHEREAS, Chapter 75, P.L. 1991, now permits the governing body to establish a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year; and

WHEREAS, the Township Committee of the Township of Montgomery finds it to be in the best interests of the Township to establish said penalty.

BE IT RESOLVED By the Township Committee of the Township of Montgomery as follows:

1. Pursuant to N.J.S.A. 54:4-67, the Township Committee of the Township of Montgomery reaffirms that the following interest shall be charged for the nonpayment of taxes or assessments on any installment which is not made within the tenth calendar day following the date upon which same became payable: 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable until the date of actual payment. The term "delinquent" as used herein shall mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years.
2. In addition, the Township Committee hereby fixes as a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year an additional sum of 6% of the amount of the delinquency.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS (CONTINUED)

BE IT RESOLVED, that the Tax Collector is hereby authorized to waive the interest charge on delinquent taxes where payment is received within 10 days after the due date and that any installment receiver after the expiration of this grace period bear interest from the due date.

It appears from an examination of the records that interest was collected in accordance with the forgoing resolution.

DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on July 9, 2013 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>YEAR</u>	<u>NUMBER OF LIENS</u>
2013	23
2012	24
2011	24

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

CONFIRMATION OF DELINQUENT TAXES AND OTHER CHARGES

A confirmation of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services consisting of verification notices as follows:

<u>TYPE</u>	<u>NUMBER</u>
Delinquent Tax Positive Confirmation	25
Delinquent Utility Rent Positive Confirmation	25
Information Tax Current Positive Confirmation	25
Information Utility Rent Positive Confirmation	25

## OTHER COMMENTS

### Interfunds

Transactions invariably occur in one fund which requires a corresponding entry to be made in another fund, thus creating interfund balances. References to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year.

### Finance

The month end bank reconciliations were not performed in a timely manner. As a result, reconciling items were not recorded in the Township's accounting system in the month that they occurred.

The various escrow accounts maintained by the Township include many old balances.

## RECOMMENDATIONS

That all of the Township bank accounts be reconciled in a timely manner.

That all escrow accounts be reviewed for cancelation or liquidation when possible.

