

# BOROUGH OF MENDHAM

Borough of Mendham  
County of Morris  
Mendham, New Jersey

Annual Comprehensive Financial Report  
For the Year Ended December 31, 2021

# Annual Comprehensive Financial Report

of the

## BOROUGH OF MENDHAM

### Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2021

Prepared by

Borough of Mendham  
Finance Department

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**INTRODUCTORY SECTION**  
**(Unaudited)**



*The Phoenix House*      *circa 1820*

*The Borough of Mendham*  
 2 West Main Street, Mendham, New Jersey 07945  
 Incorporated May 15, 1906

**Telephone: 973-543-7152**  
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December 1, 2022

The Honorable Mayor and Members  
 of the Borough Council  
 Borough of Mendham  
 County of Morris, New Jersey

The Annual Comprehensive Financial Report of the Borough of Mendham for the year ended December 31, 2021, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Borough of Mendham. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Borough. All disclosures necessary to enable the reader to gain an understanding of the Borough's financial activities have been included.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Borough's organizational chart and a roster of officials. The financial section includes the financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The Borough may be required to undergo an annual single audit in conformity with the provisions of 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*. Information related to this single audit, including the auditor's report on the internal control system and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report. The Borough was not subject to the requirements of the Single Audit Act as federal and state award expenditures were each below the respective thresholds.

**REPORTING ENTITY AND ITS SERVICES:** The Borough of Mendham is an independent reporting entity within the criteria adopted by the Division of Local Government Services, State of New Jersey. All funds and account groups of the Borough are included in this report. The Borough of Mendham constitutes the Borough's reporting entity.

Mendham Borough is in scenic southern Morris County, adjacent to Bernardsville and Mendham Borough. Morristown is 7 miles east and New York City is 40 miles east. State Route 24 and several county roads service the community. Interstate 287 is three miles southeast, Interstate 78 is nine miles south, and Interstate 80 is eight miles north.

The 2021 population is an estimated 4,836 in an area of six square miles. Of 1,500 housing units, 300 are townhouse units predominantly single family, owner-occupied residences, rental property is a very small portion of Borough housing which includes 40 senior citizen rental units. The range of assessed value of homes is \$274,100 to \$8,564,900 with a median value of \$575,300. In accordance with the Master Plan, current zoning consists of 1/4, 1/2, 1, 3 and 5 acre residential zones, business, limited business, and historic business districts. The water supply is available to the entire community from a private company, and 80% of the population in the denser zoned areas are sewered.

Other community services include six churches, a public library, a municipal ice skating area, athletic fields, tennis courts, picnic area, outdoor basketball courts, a senior citizen center, fire department, first aid squad, police force, a medical building, and a professional plaza. Most of the daily consumer goods and services are available in a shopping center which grosses an estimated \$20,000,000 annually, with other shops being located in the center of town. The municipality is served by the Peapack-Gladstone Bank, Provident Bank, Wells Fargo Bank, and Lakeland Bank.

While some residents work in local businesses, the Borough of Mendham is primarily a commuter community served by railroad from Morristown and Bernardsville, and express buses into Manhattan on a daily basis. While many large companies are located in this general area, Mendham remains a bedroom community. Many residents are professionals employed nearby at Atlantic Health Systems, Alcatel Lucent, Honeywell, Novartis, Verizon and AT&T.

LOCAL SCHOOL DISTRICT: About 522 students are enrolled at the two elementary schools (K-4 and Grades 5-8). The Mendham Borough School District is committed to education of the highest quality and the continuous improvement of programs and instruction. This is accomplished through individual and group instruction, guidance services, programs for the gifted and talented, and through utilization of up-to-date educational technology in classrooms and computer labs. Also, included in the curriculum are related arts (K-8) and a well-rounded co-curricular program. In addition, specialized services are provided to students in need. A positive working and learning environment is fostered by securing the cooperation of parents and community groups. Teachers of the highest quality are recruited and opportunities are provided for teaching staff members, students, and parents to make recommendations concerning the operation of the schools. Borough students continue to score above the state and national averages on the California Test of Basic Skills.

REGIONAL HIGH SCHOOL DISTRICT: Students in Grades 9-12 attend the West Morris Mendham High School, which is part of the West Morris Regional High School District. The West Morris Regional High School District continues to rank high on state and national tests, with students scoring well above the state and nation in S.A.T. scores. Over 95% of its students continue their formal education at two- or four-year colleges. Each of its two high schools has been accredited by the New Jersey State Department of Education, the Gilder Lehrman Institute of American History, and the International Baccalaureate Program. In addition, the District has been recognized by the national firm, School Match, as being in the top nine percent of the nation's schools in meeting parents' needs.

Through the years both District high schools have expanded/upgraded to meet the changing academic and technical needs of growing student populations and NJ State graduation requirements. A major renovation and expansion program completed in 2008 allows the District to continue fulfilling its mission.

UTILITIES: Water is supplied by a private company, New Jersey American Water Company. The water supply is adequate and is supplied by a half-million gallon commitment from the Morris County Municipal Utilities Authority and other sources. Sewer service is a municipal utility and operated on a self-supporting basis. Treatment is supplied by a modern activated sludge treatment plant of .450 million gallons per day permitted capacity, constructed in 1965. Gas is supplied by Public Service Electric & Gas Company under the jurisdiction of the State Board of Public Utilities. Electricity is supplied by Jersey Central Power & Light also under the jurisdiction of the Board of Public Utilities.

ECONOMIC CONDITION AND OUTLOOK: Mendham Borough has a population of about 4,836. It extends 6.7 square miles, and the Borough of Mendham forms a horseshoe around it. It is primarily residential, except for the Mendham Village Shopping Center on Main Street and several small specialty stores and antique shops.

MAJOR INITIATIVES: 2021 proved to be another challenging year for Borough. Adjustments were made to operations and Mendham Borough government remained fully operational. The Borough continued to utilize drop boxes at the municipal buildings for accepting correspondence and other documents and on-line payments were available for Tax, Sewer, and other miscellaneous payments. The new skills and coping methods gained this past year will help prepare the Borough and its employees for any new challenges in the future.

The Borough improved their financial reporting and revamped the purchase order system.

The Borough integrated SDL (Spatial Data Logic) software into the Construction Department process to increase residents' ability to instantly have permit related information about their property.

Improved the communication system by adding Nixle to the broadcasting mix.

Finished the long-needed improvements of the Borough's tennis courts and set up a reservation system for booking.

The Borough received funding from the NJ I-Bank Program and is using the funds to update and improve the Water Reclamation facility.

Installed new garage doors to the Firehouse and First Aid Squad providing for a more energy efficient building.

The Borough built a new, larger DPW equipment garage.

Applied for and received over \$2 million in grant funds for a variety of projects including, Phoenix House restoration, Scott Farm planning, the purchase of a new open space parcel, repaving of Dean Rd and Florie Farm Rd, and new body cameras for the Police Department.

INTERNAL ACCOUNTING CONTROLS: Management of the Borough is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Borough are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with the Annual Comprehensive Financial Report as required by state statute and regulation. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal and state assistance, the Borough also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by Borough management.

BUDGETARY CONTROLS: In addition to internal accounting controls, the Borough maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body of the municipality. An annual appropriated budget is adopted for the current fund and the sewer utility operating fund. Project-length budgets are approved for the capital improvements accounted for in the general and sewer utility capital funds. The original and final budget amount as amended for the year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are considered part of the statutory appropriation reserve balance on the Borough's balance sheet.

ACCOUNTING SYSTEM AND REPORTS: The Borough's accounting records reflect another comprehensive basis of accounting as required by state statute and regulation. The accounting system of the Borough is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

DEBT ADMINISTRATION: At December 31, 2021, the Borough has temporary debt of \$891,256 in the form of bond anticipation notes. The Borough also has \$557,951 in a loan from the NJ I-Bank Program. In addition, the Borough has unissued capital debt of \$4,624,930, including \$4,517,049 in the Sewer Capital Fund, some of which the Borough plans to be issued as bond anticipation notes or to be funded through annual budget appropriations.



**CASH MANAGEMENT:** The investment policy of the Borough is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Borough has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**RISK MANAGEMENT:** The Borough carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Borough obtains the bulk of their insurance coverage through their participation in a risk-sharing public entity risk pool, the Morris County Municipal Joint Insurance Fund. This Fund is described in more detail in Note 9 "Risk Management" to the financial statements.

**FINANCIAL INFORMATION AT YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the Borough continues to meet its responsibility for sound financial management. The following schedule presents a summary of the current fund and sewer utility operating fund revenue for the year ended December 31, 2021, and the amount and percentage of increases or decreases in relation to prior year revenue.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2020</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 2,388,134	6.49%	\$ 468,776	24.42%
Sewer Rents	1,627,095	4.42%	37,109	2.33%
Miscellaneous Revenue	1,035,184	2.81%	105,913	11.40%
Receipts from Delinquent Taxes	125,443	0.34%	56,541	82.06%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	7,023,171	19.09%	214,358	3.15%
Municipal Budget Totals-Revenue	12,199,027	33.16%	882,697	7.80%
Nonbudget Revenue	699,558	1.90%	(444,051)	-38.83%
Other Credits to Income	701,542	1.91%	(194,553)	-21.71%
Taxes Allocated to Schools, County and Open Space Trust	23,183,585	63.03%	201,685	0.88%
Total	<u>\$ 36,783,712</u>	<u>100.00%</u>	<u>\$ 445,778</u>	1.23%

Generally, the revenue of the Borough has remained relatively stable with minor changes reflecting program or project changes to maintain service levels while keeping the cost to provide those services at a consistent rate. Fund Balance is relatively unchanged reflecting the Borough's conservative approach in anticipating fund balance and the Borough's attempt to stabilize and improve their fund balance position, while establishing and maintaining reserves and the Borough's strong financial position. The increase in budgeted revenue is primarily attributable to an increase in the Borough's collection of taxes and fund balance anticipated. The decrease in nonbudget revenue is primarily attributable to a decrease in miscellaneous revenue not anticipated. The increase in taxes allocated to schools, county and open space trust reflect increases in the required collections of property taxes, which are remitted to those entities.

The following schedule presents a summary of current fund and utility operating funds expenditures for the year ended December 31, 2021 and the percentage of increases or decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2020</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,687,499	7.76%	\$ 151,056	5.96%
Public Safety	2,408,867	6.95%	168,756	7.53%
Streets and Roads	1,007,016	2.91%	(134,346)	-11.77%
Health and Welfare	105,375	0.30%	(1,380)	-1.29%
Recreation and Education	162,837	0.47%	(8,058)	-4.72%
Deferred Charges and Statutory Expenditures	900,323	2.60%	81,373	9.94%
Utility Operating	1,394,114	4.02%	19,887	1.45%
Capital	1,098,000	3.17%	570,000	107.95%
Debt Service:				
Principal	853,140	2.46%	16,876	2.02%
Interest	30,626	0.09%	(31,400)	-50.62%
Reserve for Uncollected Taxes	745,705	2.15%		0.00%
Municipal Budget Totals-Expenditures	11,393,502	32.89%	832,764	7.89%
County Taxes	3,411,392	9.85%	(127,264)	-3.60%
Local and Regional School Taxes	19,662,353	56.76%	328,786	1.70%
Municipal Open Space Taxes	109,840	0.32%	163	0.15%
Other Expenditures	61,313	0.18%	11,235	22.44%
Total	<u>\$ 34,638,400</u>	<u>100.00%</u>	<u>\$1,045,684</u>	3.11%

The primary reason for the increase in expenditures was the increase in school taxes, public safety which included a new school resource officer and a transfer to General Capital for capital ordinances.

OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, RMAs, was selected by the Borough Council. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, the Uniform Guidance and New Jersey's OMB Circular 15-08. The auditors' report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

ACKNOWLEDGMENTS: We would like to express our appreciation to the Mayor and Members of the Borough Council for their concern in providing fiscal accountability to the citizens and taxpayers of the Borough and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,

*Joyce Bushman*

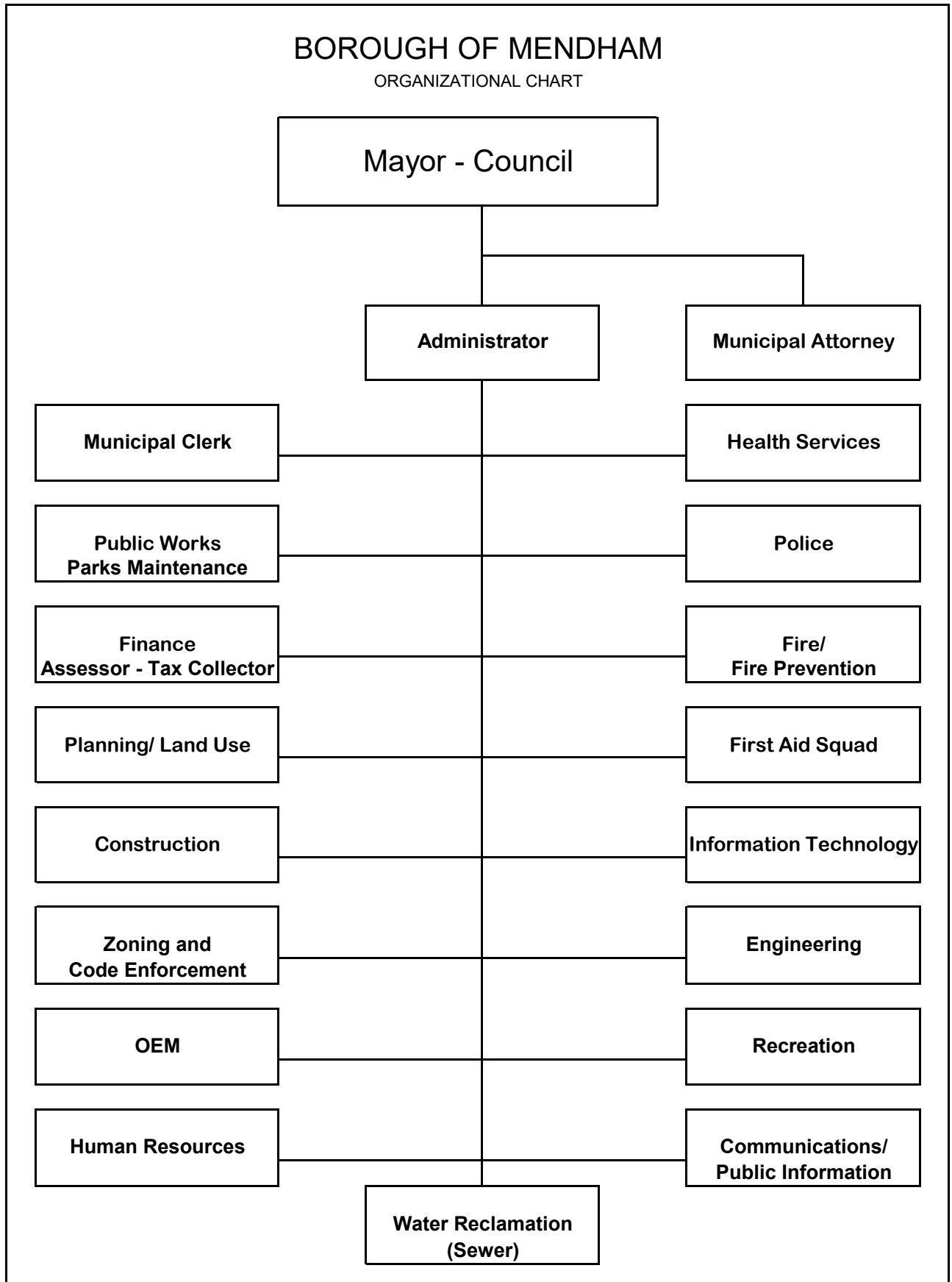
Joyce Bushman  
Borough Administrator

*Mike Guarino*

Mike Guarino  
Chief Financial Officer

**BOROUGH OF MENDHAM**

## ORGANIZATIONAL CHART



BOROUGH OF MENDHAM  
ROSTER OF OFFICIALS

Elected Officials

Mayor	Christine Serrano-Glassner
Councilman	Steven Andrew
Councilman	John Andrews
Councilman	J. Bradley Badal
Councilman	James R. Kelly
Councilwoman	Mary Sue Martin
Councilman	Brennan Reilly

Appointed Officials

Administrator	Joyce Bushman
Municipal Clerk	Robin R. Kline (to 1/24/22)
Municipal Clerk	Carolynn Budd (from 1/24/22)
Tax Collector/Tax Search Officer/ Deputy Public Utilities Clerk	Thomas Hespe
Treasurer/Chief Financial Officer	Susan Giordano (to 3/31/22)
Treasurer/Chief Financial Officer	Mike Guarino (from 4/1/22)
Public Utilities Clerk/Deputy Tax Collector	Karen Orgera (to 11/5/21)
Tax Assessor	Scott J. Holzhauer
Magistrate	Frank P. Leanza
Court Administrator/Violations Clerk	Jan Simonetti
Building Inspector/Construction Code Official	Robert Rosendale

BOROUGH OF MENDHAM  
Consultants and Advisors

AUDIT FIRM  
Nisivoccia LLP, CPA's  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, New Jersey 07856

ATTORNEY  
Dorsey & Semrau LLC  
714 Main Street  
Boonton, New Jersey 07005

BOND COUNSEL  
Hawkins, Delafield & Wood, LLP  
One Gateway Center  
Newark, NJ 07102

OFFICIAL DEPOSITORIES  
Peapack-Gladstone Bank  
Wells Fargo Bank  
Bank of America  
Provident Bank

**FINANCIAL SECTION**

## Independent Auditors' Report

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

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

#### ***Opinions***

We have audited the financial statements – *regulatory basis* - of the various funds of the Borough of Mendham, in the County of Morris (the "Borough") as of and for the year ended December 31, 2021 and the related notes to the financial statements, as listed in the 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, 2021 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, 2021, 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, 2021, or the changes in financial position or where applicable, cash flows 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,

The Honorable Mayor and Members  
of the Borough Council  
Borough of Mendham  
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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 Borough general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

***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 State 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.



The Honorable Mayor and Members  
of the Borough Council  
Borough of Mendham  
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- 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 December 1, 2022 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

NISIVOCIA LLP

Mount Arlington, New Jersey  
December 1, 2022

*Francis Jones of Nisivoccia LLP*  
Francis Jones  
Certified Public Accountant  
Registered Municipal Accountant No. 442

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**The general purpose financial statements provide a financial overview of the Borough's operations. These financial statements present the financial position and operating results of all funds and account groups.**

BOROUGH OF MENDHAM  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS-REGULATORY BASIS

DECEMBER 31, 2021

(With Comparative Totals for 2020)

ASSETS AND OTHER DEBITS:	Account Group					Totals	
	Current Fund	General Capital Fund	Trust Fund	Utility Funds		General Fixed Assets (Unaudited)	(Memorandum Only)
				Operating	Capital		
Assets:							
Cash and Cash Equivalents	\$ 5,075,010	\$ 532,407	\$ 1,167,750	\$ 853,846	\$ 154,185	\$ 7,783,198	\$ 8,473,661
Investments	520,756					520,756	535,756
Receivables and Other Assets:							
Property Taxes Receivable	110,476					110,476	129,705
Consumer Accounts Receivable				96,365		96,365	126,297
Federal and State Receivables	21,972					21,972	345,972
Interfund Receivables	1	278,442	38,596	920		317,959	132,345
Other Receivables	151,572					151,572	50,082
Property Acquired for Taxes at Assessed Valuation	2,900					2,900	2,900
Fixed Assets in General Fixed Assets Account Group (Unaudited)						\$ 8,095,999	\$ 8,095,999
Total Assets	5,882,687	810,849	1,206,346	951,131	154,185	17,101,197	17,892,717
Other Debits:							
Deferred Charges:							
Deferred Charges to Future Taxation		999,137				999,137	1,459,138
Overexpenditure of Ordinance Appropriation		80,633			19,743,076	80,633	
Fixed Capital						19,743,076	19,617,076
Total Other Debits		1,079,770			19,743,076	20,822,846	21,076,214
Total Assets and Other Debits	\$ 5,882,687	\$ 1,890,619	\$ 1,206,346	\$ 951,131	\$ 19,897,261	\$ 37,924,043	\$ 38,968,931
LIABILITIES, RESERVES AND FUND BALANCE:							
Appropriation Reserves	\$ 1,065,876			\$ 314,153		\$ 1,380,029	\$ 1,320,859
Improvement Authorizations		\$ 846,379			\$ 4,159,106	5,005,485	5,778,259
Payroll Deductions And Withholdings			\$ 64,350			64,350	135,827
Accounts Payable - Vendors	152,140	16,015		27,297		195,452	169,902
Interfund Payables	232,038		85,001		920	317,959	132,345
Reserves for Amortization					14,668,077	14,668,077	14,254,077
Various Liabilities and Reserves	1,586,663	135,796	1,056,995		375,544	11,250,997	11,755,925
Serial Bonds, Bond Anticipation Notes and Loans Payable		891,256			557,951	1,449,207	1,639,257
Reserve for Receivables and Other Assets	264,949			96,365		361,314	308,985
Fund Balance	2,581,021	1,173		513,316	135,663	3,231,173	3,473,495
Total Liabilities, Reserves and Fund Balances	\$ 5,882,687	\$ 1,890,619	\$ 1,206,346	\$ 951,131	\$ 19,897,261	\$ 37,924,043	\$ 38,968,931

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

BOROUGH OF MENDHAM  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CURRENT AND UTILITY OPERATING FUNDS-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Current Fund			Utility Operating Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 2,181,988	\$ 2,181,988		\$ 206,146	\$ 206,146	
Sewer Rents				1,586,488	1,627,095	\$ 40,607
Miscellaneous Revenue	903,097	1,009,707	\$ 106,610	30,000	25,477	(4,523)
Receipts from Delinquent Taxes	103,250	125,443	22,193			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,390,507	7,023,171	632,664			
Municipal Budget Totals - Revenue	9,578,842	10,340,309	761,467	1,822,634	1,858,718	36,084
Non-budget Revenues		699,558	699,558			
Other Credits to Income		527,185	527,185		174,357	174,357
Taxes Allocated to Schools, County and Open Space	23,183,585	23,183,585				
TOTAL REVENUES	32,762,427	34,750,637	1,988,210	1,822,634	2,033,075	210,441
EXPENDITURES:						
Current:						
General Government	2,687,499	2,687,499				
Public Safety	2,408,867	2,408,867				
Streets and Roads	1,007,016	1,007,016				
Health and Welfare	105,375	105,375				
Recreation and Education	162,837	162,837				
Deferred Charges and Statutory Expenditures	842,323	842,323		58,000	58,000	
Utility Operating				1,394,114	1,394,114	
Capital	1,027,000	1,027,000		71,000	71,000	
Debt Service:						
Principal	565,140	565,140		288,000	288,000	
Interest	27,080	23,461	3,619	11,520	7,165	4,355
Reserve for Uncollected Taxes	745,705	745,705				
Municipal Budget Totals - Expenditures	9,578,842	9,575,223	3,619	1,822,634	1,818,279	4,355
County Taxes	3,411,392	3,411,392				
Local and Regional School Taxes	19,662,353	19,662,353				
Municipal Open Space Taxes	109,840	109,840				
Other Expenditures		61,313	(61,313)			
TOTAL EXPENDITURES	\$ 32,762,427	32,820,121	(57,694)	\$ 1,822,634	1,818,279	4,355
Excess/(Deficit) of Revenues over Expenditures		1,930,516	\$ 1,930,516		214,796	\$ 214,796
Fund Balances January 1, 2021		2,832,493			504,666	
Less: Utilized as Anticipated Revenue		2,181,988			206,146	
Fund Balances December 31, 2021		\$ 2,581,021			\$ 513,316	

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

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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 Mendham 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 principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Mendham 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 which are not accounted for in another fund.

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 MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

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

B. Description of Funds (Cont'd)

Utility Operating Fund - Account for the operations of the municipally owned Sewer Utility.

Utility Capital Fund - Account for the acquisition of capital facilities of the Sewer Utility.

General Fixed Assets Account Group (Unaudited) - These accounts were established with estimated values of land, buildings and certain fixed assets of the Borough as discussed under the caption "Basis of Accounting".

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. Federal and state grants are generally recognized on the cash basis except for certain assistance which is not realized until anticipated in the Borough's budget. The amounts recorded as property taxes and consumer accounts 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 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 canceled 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.

The cash basis of accounting is followed in the Trust and Capital Funds.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

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

C. Basis of Accounting (Cont'd)

Had the Borough's financial statements been prepared under generally accepted accounting principles, 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, and inventories would not be reflected as expenditures at the time of purchase, investments would generally be recorded at fair value, and the Borough's net pension liability, net OPEB liability and related deferred inflows and outflows would be recorded.

- D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds or loans 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, or by selling bonds.

- 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, if any, 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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

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

E. Other significant accounting policies include (Cont'd):

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

General Fixed Assets (Unaudited) – In accordance with accounting requirements in the New Jersey Administrative Code, as promulgated by the Division of Local Government Services, the Borough developed a fixed assets accounting and reporting system. General fixed assets are recorded at cost or estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a “Reserve for Fixed Assets”. When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Sewer Utility Fund. The values recorded in the general fixed assets account group and the capital funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Sewer Utility Fund is recorded in the capital account at cost. The amount shown does not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. The Sewer Utility does not record depreciation on fixed assets.

F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for Current, operating utility, and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

Note 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposit, 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.



BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 2: Cash and Cash Equivalents and Investments (Cont'd)

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 permitted under state statutes as detailed below.

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 New Jersey municipalities are permitted to invest their funds.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

Deposits

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 on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least 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 a 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;

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 2: Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

- (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:
  - (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, 2021, cash and cash equivalents and investments of the Borough consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Money Market</u>	<u>Investment</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 230	\$ 2,823,671	\$ 520,756	\$ 2,251,109	\$ 5,595,766
General Capital		15,806		516,601	532,407
Trust and Agency		338,125		829,625	1,167,750
Utility Operating	100	139,395		714,351	853,846
Utility Capital		148,265		5,920	154,185
	<u>\$ 330</u>	<u>\$ 3,465,262</u>	<u>\$ 520,756</u>	<u>\$ 4,317,606</u>	<u>\$ 8,303,954</u>

The carrying amount of the Borough's cash and cash equivalents and investments at year end was \$8,303,954 and the bank balance was \$8,258,094. During 2021 the Borough invested funds by purchasing Bond Anticipation Notes from its own Capital Funds. There was an investment of \$520,756 from the Current Fund in Bond Anticipation Notes issued by the Borough's General Capital Fund at 0.25% interest due on July 1, 2022.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2021:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 1	\$ 232,038
General Capital Fund	278,442	
Other Trust Funds	38,596	85,001
Sewer Utility Operating Fund	920	
Sewer Utility Capital Fund		920
	<u>\$ 317,959</u>	<u>\$ 317,959</u>

The primary interfund activity for 2021 was due to the increase in interfund activity between the Other Trust Funds and Current Fund for open space levy and Tax Sale Premium received in the Current Fund due to the Other Trust Funds. The interfund between General Capital and Current fund is the primarily due to the BAN loan. The interfund between Other Trust Funds and General Capital is for the funding of a capital ordinance. In addition, the Borough's operating funds generally transfer Capital Improvement Fund budget appropriations to the respective Capital Fund.

Note 4: 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 and taxing power have been pledged to the payment of general obligation debt principal and interest.

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 891,256	\$ 1,351,257	\$ 1,540,378
Sewer Utility:			
Bonds, Loans and Notes	557,951	708,803	564,000
Total Issued	<u>1,449,207</u>	<u>2,060,060</u>	<u>2,104,378</u>
<u>Authorized but not Issued:</u>			
General	107,881	107,881	107,881
Sewer Utility	4,517,049	4,654,197	5,075,000
Total authorized but not Issued	<u>4,624,930</u>	<u>4,762,078</u>	<u>5,182,881</u>
Less: Reserve to Pay Debt Service			
General	29,900	29,900	29,900
Sewer Utility	1,336	1,336	1,336
Total Reserve to Pay Debt Service	<u>31,236</u>	<u>31,236</u>	<u>31,236</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 6,042,901</u>	<u>\$ 6,790,902</u>	<u>\$ 7,256,023</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 4: Long-Term Debt (Cont'd)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, below, is prepared in accordance with the required method of setting up the revised Annual Debt Statement and indicates a statutory net debt of .072%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 3,594,288	\$ 3,594,288	
Sewer Utility Debt	5,075,000	5,075,000	
General Debt	<u>999,137</u>	<u>29,900</u>	<u>\$ 969,237</u>
	<u>\$ 9,668,425</u>	<u>\$ 8,699,188</u>	<u>\$ 969,237</u>

Net Debt \$969,237 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,350,013,482 = .072%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 47,250,472
Net Debt	<u>969,237</u>
Remaining Borrowing Power	<u>\$ 46,281,235</u>

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,858,718
Deductions:	
Operating, Maintenance and Debt Service Costs	<u>1,747,279</u>
Excess in Revenue	<u>\$ 111,439</u>

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

Schedule of Changes in Debt Issued

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Defeased/ Retirements</u>	<u>Balance</u> <u>12/31/2021</u>
General Capital Fund:				
Serial Bonds	\$ 432,000		\$ 432,000	
Bond Anticipation Notes	906,256	\$ 891,256	906,256	\$ 891,256
Green Acres Loan	13,001		13,001	
Sewer Utility Capital Fund:				
Serial Bonds	288,000		288,000	
NJ I-Bank Loan	<u>420,803</u>	<u>137,148</u>		<u>557,951</u>
Total	<u>\$ 2,060,060</u>	<u>\$ 1,028,404</u>	<u>\$ 1,639,257</u>	<u>\$ 1,449,207</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 4: Long-Term Debt (Cont'd)

The Borough had the following outstanding debt at December 31, 2021.

Schedule of General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2021</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/12/2013	7/1/2022	0.25%	\$ 258,036
Various Improvements	7/11/2014	7/1/2022	0.25%	27,720
Various Improvements	10/7/2019	7/1/2022	0.25%	130,000
Acquisition of Equipment	9/4/2020	7/1/2022	1.00%	370,500
Acquisition of Equipment	7/2/2021	7/1/2022	0.25%	105,000
				<u>\$ 891,256</u>

The Borough has entered into a loan agreement with the New Jersey I-Bank for sewer system improvements. The New Jersey I-Bank has advanced funds to the Borough however the loan has not closed as of December 31, 2021.

Note 5: Pension Plans

Substantially all of the Borough's employees participate in one of two contributory, defined benefit public employee retirement systems, Police and Firemen's Retirement System (PFRS) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 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](http://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 enrolled prior to July 1, 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 5: 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.

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 are adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$191,765 for 2021.

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

Pension Liabilities and Pension Expense

At June 30, 2020, the Borough's liability was \$2,858,620 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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, 2020, the Borough's proportion was 0.018%, which was an increase of 0.001% from its proportion measured as of June 30, 2019. The Borough has rolled forward the net pension liability as of June 30, 2020 with no adjustments.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2020 pension information in the Notes to the Financial Statements as the June 30, 2021 pension information has not been released as of the date of this audit.

For the year ended December 31, 2021, the Borough recognized actual pension expense in the amount of \$191,765.

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

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-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

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, 2020) 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%



BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: 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, 2020. 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 78% 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, 2020 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, 2020		
	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	<u>\$ 3,590,554</u>	<u>\$ 2,858,620</u>	<u>\$ 2,225,848</u>

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. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), 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 PFRS, please refer to the Division's annual financial statements which can be found at [www.state.nj.us/treasury/pensions/annual-reports.shtml](http://www.state.nj.us/treasury/pensions/annual-reports.shtml).

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members enrolled prior to May 22, 2010
2	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS 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 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 amounts 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 the assets.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a 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 this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

Borough contributions to PFRS amounted to \$422,380 for the year ended December 31, 2021. During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$58,341 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$85,924.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

June 30, 2020, the Borough's liability for its proportionate share of the net pension liability was \$4,885,293. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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, 2020, the Borough's proportion was 0.037%, which was an increase of 0.0003% from its proportion measured as of June 30, 2019. The Borough has rolled forward the net pension liability as of June 30, 2020 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2020 pension information in the Notes to the Financial Statements as the June 30, 2021 pension information has not been released as of the date of this audit.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$758,175 as of June 30, 2020. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The State's proportionate share of the net pension liability associated with the Borough 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, 2020, the State's proportion was 0.037%, which was an increase of 0.0003% from its proportion measured as of June 30, 2019 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 4,885,293
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>758,175</u>
Total Net Pension Liability	<u>\$ 5,643,468</u>

For the year ended December 31, 2021, the Borough recognized pension expense of \$422,380.

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25 – 15.25% based on years of service
Investment Rate of Return	7.00%

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the RP-2010 Safety Employee Mortality Table with a 105.6% adjustment for males and 102.5% 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 Safety Retiree Below-Median Income Weighted Retiree mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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, 2020) 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 PFRS' target asset allocation as of June 30, 2020 are summarized in the following table:

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 78% 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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2020 calculated using the discount rate as disclosed above, as well as what the collective 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, 2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 7,504,651	\$ 5,643,468	\$ 4,097,613

Pension Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

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

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Borough had 1 employee covered during 2021 and recognized pension expense of \$4,100 for 2021. There were also employee contributions to DCRP of \$8,135 for 2021.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

In accordance with the Borough's resolution, Borough employees are entitled to the following benefits:

Municipal and Police Employees:

Married Borough employees retiring at age 62 or older who have accumulated 15 years or more of uninterrupted service, or under age 62 with 25 years or more, are entitled to fifty percent of the premium for hospital and surgical health insurance family coverage to be paid by the Borough. Single employees retiring at age 62 or older who have accumulated 15 years or more of uninterrupted service, or under age 62 with 25 years or more, are entitled to one hundred percent of the premium for hospital and surgical insurance individual coverage to be paid by the Borough. All years of qualifying service must be with the Borough of Mendham.



BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB benefit/expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense

The Borough has rolled forward the net OPEB liability as of June 30, 2020 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting municipalities and counties to include the June 30, 2020 OPEB information in the Notes to the Financial Statements as the June 30, 2021 information has not been released as of the date of this report.

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense (Cont'd)

At June 30, 2020, the Borough had a liability of \$4,650,326 for its proportionate share of the net OPEB liability. At June 30, 2020, the Borough's proportion was .026% which was a decrease of .00002% from its proportion measured as of June 30, 2019. Additionally, the State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2020 was \$3,147,761. At June 30, 2020, the State's proportion related to the Borough was .058%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

For the year ended June 30, 2020 the Borough's OPEB benefit as determined by the State of New Jersey Division of Pensions and Benefits was \$63,214. Additionally, during the year ended June 30, 2020, the State of New Jersey's OPEB expense related to the Borough was \$156,696.

The Borough's actual post retirement payments in 2021 for 11 retiree employees were \$88,068.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% - 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

\* - Salary increases are based on years of service within the respective plan.

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.6% and decreases to a 4.5% long term trend rate after seven years. For post 65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long term rate after seven years.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Discount Rate

The discount rate for June 30, 2020 was 2.21%. The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability Attributable to the Borough to Changes in the Discount Rate

The following presents the net OPEB Liability of the Borough as of June 30, 2020, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Borough 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, 2020		
	At 1% Decrease (1.21%)	At Discount Rate (2.21%)	At 1% Increase (3.21%)
Net OPEB Liability Attributable to the Borough	\$ 5,497,668	\$ 4,650,326	\$ 3,979,578

Sensitivity of the Net OPEB Liability Attributable to the Borough to Changes in the Healthcare Trend Rate

The following presents the net OPEB Liability of the Borough as of June 30, 2020, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2020		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Borough	\$ 3,848,150	\$ 4,650,326	\$ 5,700,787

Note 7: Accrued Sick and Vacation Benefits

The Borough of Mendham does not permit its employees to accrue unused vacation and sick pay.

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

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 8: Selected Tax Information (Cont'd)

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 to be delinquent and the imposition of interest charges is made. 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 may be placed in lien at a tax sale held after December 10.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Tax Rate</u>	\$ 2.342	\$ 2.301	\$ 2.247
<u>Apportionment of Tax Rate</u>			
Municipal	.506	.492	.481
County	.271	.280	.280
Local School	.930	.906	.894
Regional High School	.627	.615	.584
Municipal Open Space	.008	.008	.008
<u>Assessed Valuations</u>			
2021	<u>\$ 1,262,502,152</u>		
2020		<u>\$ 1,271,263,456</u>	
2019			<u>\$ 1,274,837,156</u>

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2021	\$ 29,639,567	\$ 29,461,051	99.39%
2020	29,275,674	29,045,008	99.21%
2019	28,754,548	28,481,745	99.05%

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: 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. The Borough obtains property, general and automotive liability, and workers' compensation coverage through its participation in the Morris County Municipal Joint Insurance Fund as described on the following page.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 9: Risk Management (Cont'd)

The Borough of Mendham is currently a member of the Morris County Municipal Joint Insurance Fund (the "Fund"). The Fund provides its members with Liability, Property, Environmental, Public Officials and Employer Practices, and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of the Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

Selected financial information for the Fund as of December 31, 2021 is as follows:

Total Assets	<u>\$ 38,998,094</u>
Net Position	<u>\$ 16,225,925</u>
Total Revenue	<u>\$ 21,199,571</u>
Total Expenses	<u>\$ 20,283,613</u>
Change in Net Position	<u>\$ 915,958</u>
Member Dividends	<u>\$ -0-</u>

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Morris County Municipal Joint Insurance Fund  
PERMA Risk Management Services  
9 Campus Drive, Suite 216  
Parsippany, NJ 07054  
(201) 881-7632

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2021	\$ 10,000	\$ 5,170	\$ 89	\$ 4,573	\$ 54,704
2020	7,000	5,712	365	7,237	44,018
2019	7,000	5,066	30	15,745	38,178

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 10: Fund Balances Appropriated

Fund balances as December 31, 2021, which have been appropriated and included as anticipated revenue for the year ending December 31, 2022 are \$1,956,988 for the Current Fund and \$206,146 for the Sewer Utility Operating Fund.

Note 11: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the year ended December 31, 2021:

	Balance Dec. 31, 2020	Additions	Balance Dec. 31, 2021
Land	\$ 1,767,500		\$ 1,767,500
Buildings and Building Improvements	3,535,152		3,535,152
Machinery and Equipment	2,793,347		2,793,347
	<u>\$ 8,095,999</u>	<u>\$ -0-</u>	<u>\$ 8,095,999</u>

Note 12: Commitments and Contingencies

Claims and Other Legal Proceedings

The Borough is periodically involved in lawsuits arising in the normal course of business, including claims for property damage, personnel litigation, personal injury, disputes over contract awards and property tax assessment appeals. The Borough is involved in property tax assessment appeals which are pending at the Tax Court of New Jersey. The Borough has established a reserve for litigation at December 31, 2021 in the amount of \$330,421. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Borough's financial position as of December 31, 2021.

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.

The Borough has received approval by the New Jersey Department of Environmental Protection for the closure of the Borough's sanitary landfill. The landfill has not received municipal waste for several years. The ultimate costs of the closure of the landfill will likely exceed the funds held; however, no estimate can be made at this time. It is expected that this project will be funded by a capital ordinance when the Borough proceeds with the project.

Various tax appeals on assessed valuation have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Tax Assessor will aggressively defend the Borough's assessments. The Borough has established a reserve, which it feels is sufficient, for this contingency in the amount of \$348,344.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Continued)

Note 13: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2021, consisted of the following:

Litigation	\$ 330,421
Unappropriated Reserves	285,131
Distractive Driving Grant	5,915
Sale of Municipal Assets	226,757
Pending Tax Appeals	348,344
	<u>\$ 1,196,568</u>

Note 14: Economic Dependency

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

Note 15: Open Space Trust Fund

The Borough created an Open Space Trust Fund with a maximum tax levy of \$.02 per \$100 of assessed valuation in 1999. The funds collected are used to acquire and maintain open space, historical preservation and farm land property in the Borough. The balance in the Open Space Trust Fund Reserve at December 31, 2021 was \$345,875.

Note 16: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2021, the following deferred charge is shown on the balance sheet of the General Capital Fund:

	Balance Dec. 31, 2021	Required 2022 Budget Appropriation
General Capital Fund:		
Over-Expenditure of Ordinance	<u>\$ 80,633</u>	<u>\$ 80,633</u>

The appropriation in the 2022 budget is not less than that required by statute.

Note 17: Prior Period Adjustment

A prior period adjustment was made in the Sewer Utility Capital Fund as of December 31, 2020 as follows:

	Balance 12/31/2020 as Previously Reported	Retroactive Adjustments	Balance 12/31/2020 as Restated
<u>ASSETS:</u>			
Fixed Capital	\$19,349,276	\$ (5,075,000)	\$ 14,274,276
Fixed Capital Authorized and Uncompleted	\$ 267,800	\$ 5,075,000	\$ 5,342,800

**COMBINING AND INDIVIDUAL FUND AND ACCOUNT  
GROUP STATEMENTS AND SCHEDULES**

**The combining and individual fund and account group statements and schedules present more detailed information for the individual funds in a format that segregates information by fund type.**



BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2021  
CURRENT FUND

The current fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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MENDHAM BOROUGH  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

	December 31,	
	2021	2020
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 5,074,780	\$ 5,127,329
Investments	520,756	535,756
Change Fund	230	230
	<u>5,595,766</u>	<u>5,663,315</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	<u>21,972</u>	<u>20,972</u>
	<u>5,617,738</u>	<u>5,684,287</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	110,476	129,705
Tax Title Liens Receivable	35,479	31,486
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	1,914	2,054
Grants Receivable	114,179	16,542
Interfunds Receivable	<u>1</u>	<u>1</u>
Total Receivables and Other Assets with Full Reserves	<u>264,949</u>	<u>182,688</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,882,687</u></u>	<u><u>\$ 5,866,975</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 222,696	\$ 339,149
Unencumbered	<u>843,180</u>	<u>682,833</u>
Total Appropriation Reserves	1,065,876	1,021,982
Prepaid Taxes	383,991	370,940
Accounts Payable - Vendors	152,140	126,590
Other Liabilities	6,104	6,104
Interfund Payable	232,038	132,169
Other Reserves	<u>1,196,568</u>	<u>1,194,009</u>
	3,036,717	2,851,794
Reserve for Receivables and Other Assets	264,949	182,688
Fund Balance	<u>2,581,021</u>	<u>2,832,493</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<u><u>\$ 5,882,687</u></u>	<u><u>\$ 5,866,975</u></u>

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MENDHAM BOROUGH  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

<u>Revenue and Other Income Realized</u>	Year Ended December 31,	
	2021	2020
Fund Balance Utilized	\$ 2,181,988	\$ 1,713,212
Miscellaneous Revenue Anticipated	1,009,707	878,191
Receipts from:		
Delinquent Taxes	125,443	68,902
Current Taxes	29,461,051	29,045,008
Nonbudget Revenue	699,558	1,143,609
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	527,184	358,308
Other Credits	1	415,834
Total Income	<u>34,004,932</u>	<u>33,623,064</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	8,829,518	8,012,420
County Taxes	3,411,392	3,538,656
Local School District Taxes	11,737,380	11,509,106
Regional School Taxes	7,924,973	7,824,461
Municipal Open Space Tax	109,840	109,677
Other Debits	61,312	50,077
Interfunds Advanced	1	1
Total Expenditures	<u>32,074,416</u>	<u>31,044,398</u>
Excess in Revenue	1,930,516	2,578,666
 <u>Fund Balance</u>		
Balance January 1	<u>2,832,493</u>	<u>1,967,039</u>
	4,763,009	4,545,705
Decreased by:		
Utilized as Anticipated Revenue	<u>2,181,988</u>	<u>1,713,212</u>
Balance December 31	<u>\$ 2,581,021</u>	<u>\$ 2,832,493</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2021

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 2,181,988		\$ 2,181,988	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		6,300	
Interest and Costs on Taxes	21,000		44,743	\$ 23,743
Interest on Investments and Deposits	17,500		25,990	8,490
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	121,500		195,877	74,377
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program		\$ 11,510	11,510	
Reserve for Sale of Municipal Assets	111,000		111,000	
Reserve for Litigation	100,000		100,000	
Other Trust Fund - Open Space Trust	13,140		13,140	
Total Miscellaneous Revenue	891,587	11,510	1,009,707	106,610
Receipts from Delinquent Taxes	103,250		125,443	22,193
Amount to be Raised by Taxes for Support of Municipal Budget	6,390,507		7,023,171	632,664
Budget Totals	9,567,332	11,510	10,340,309	\$ 761,467
Nonbudget Revenue			699,558	
	<u>\$ 9,567,332</u>	<u>\$ 11,510</u>	<u>\$ 11,039,867</u>	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Collection of Current Taxes	\$ 29,461,051
Allocated to:	
School, County, and Open Space Taxes	23,183,585
	<u>6,277,466</u>
Add: Appropriation "Reserve for Uncollected Taxes"	745,705
	<u>745,705</u>
Realized for Support of Municipal Budget	<u>\$ 7,023,171</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$ 125,443
	<u>\$ 125,443</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:	
Fees and Permits	\$ 26,007
Clerk	2,389
Police	3,962
Police Vehicle Usage	28,020
Special Duty	27,576
Board of Adjustment	2,500
Planning Board	1,125
Board of Health	12,408
Municipal Court Fines and Costs	32,041
Rents on Borough-Owned Properties	21,885
Cable Television Franchise Fees	76,286
Tenant registration/inspect	11,675
Lot grad/soil erosion (LDP)	2,800
DMV Inspection Fines	1,050
High School Resource Officer Reimbursement	127,658
FEMA Reimbursement	263,754
State of New Jersey-Vet and Senior Citizen 2% Admin Fee	530
Alarm Fees	200
Smoke Detector	6,986
Miscellaneous	50,706
	<u>\$ 699,558</u>

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MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021

	Appropriations		Budget After Modification	Expended By		Un- expended Balance Cancelled
	Budget			Paid or Charged	Reserved	
Operations Within "Caps":						
General Government:						
General Administration:						
Salaries and Wages			\$ 141,228	\$ 141,183	\$ 45	
Other Expenses	23,900		23,900	13,714	10,186	
Organization Contributions:						
Other Expenses	5,000		5,000	1,204	3,796	
Purchasing:						
Other Expenses	6,750		6,750	1,747	5,003	
Human Resources - Personnel & Payroll:						
Salaries and Wages	19,093		19,093	19,093		
Other Expenses	3,750		3,750	721	3,029	
Mayor and Council:						
Salaries and Wages	22,000		21,500	21,500		
Other Expenses	5,350		5,350	2,124	3,226	
Municipal Clerk:						
Salaries and Wages	89,050		89,050	89,050		
Other Expenses	34,050		34,050	28,314	5,736	
Financial Administration:						
Salaries and Wages	60,950		60,950	60,950		
Other Expenses	34,450		34,450	23,295	11,155	
Annual Audit	36,446		36,446	9,200	27,246	
Computerized Data Processing	116,750		116,750	105,043	11,707	
Zoning:						
Salaries and Wages						
Other Expenses	9,620		9,620	7,138	2,482	
Tax Assessment Administration:						
Salaries and Wages	52,114		51,114	51,114		
Other Expenses	27,450		27,450	17,063	10,387	
Revenue Administration (Tax Collection):						
Salaries and Wages	31,775		31,775	31,000	775	
Other Expenses	15,500		15,500	14,271	1,229	
Legal Services and Costs:						
Other Expenses	136,500		136,500	99,785	36,715	
Engineering Services and Costs:						
Other Expenses	64,500		64,500	37,793	26,707	
Historic Preservation:						
Other Expenses	8,050		8,050	7,661	389	
Public Buildings and Grounds:						
Other Expenses	143,500		143,500	98,193	45,307	

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MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
General Government (continued):					
Municipal Land Use Law(N.J.S.A.40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 23,114	\$ 23,114	\$ 23,114		
Other Expenses	15,850	15,850	13,351	\$ 2,499	
Insurance:					
Employee Group Health	408,186	408,186	403,553	4,633	
Unemployment Compensation Insurance	8,000	8,000	8,000		
General Liability Insurance	78,776	78,776	78,776		
Workmen's Compensation Insurance	87,548	87,548	83,548	4,000	
Long-Term Disability	10,000	10,000	7,968	2,032	
Public Safety:					
Police:					
Salaries and Wages	1,776,436	1,775,136	1,683,900	91,236	
Other Expenses	143,450	143,450	79,822	63,628	
Contractual Radio Dispatch	124,659	124,659	124,658	1	
Emergency Management Services - Salaries & Wages	7,070	7,070	6,901	169	
Emergency Management Services - Other Expenses	11,700	11,700	5,559	6,141	
Aid to Volunteer Fire Company	94,200	94,200	80,457	13,743	
Aid to Volunteer Ambulance Company	38,000	38,000	22,644	15,356	
Fire:					
Salaries and Wages	30,000	30,000	29,422	578	
Other Expenses	5,750	5,750	1,551	4,199	
Fire Hydrant - Other Expenses	111,000	118,100	107,803	10,297	
Municipal Court:					
Salaries and Wages	2,000	2,000		2,000	
Other Expenses	45,992	47,292	47,245	47	
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries and Wages	594,917	575,917	550,645	25,272	
Other Expenses	143,430	143,430	91,545	51,885	

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MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Streets and Roads (Cont'd):					
Shade Trees:					
Other Expenses	\$ 22,095	\$ 22,095	\$ 18,480	\$ 3,615	
Kelley Act - Mendham Commons	7,000	7,000	5,027	1,973	
Vehicle Maintenance (DPW):					
Salary and Wages	64,834	64,834	64,834		
Other Expenses	64,620	64,620	27,429	37,191	
Landfill/Solid Waste Disposal Costs:					
Other Expenses	159,120	129,120	115,438	13,682	
Health and Welfare:					
Board of Health:					
Other Expenses - Miscellaneous	64,200	64,200	57,617	6,583	
Environmental Commission:					
Other Expenses	6,375	6,375	651	5,724	
Animal Control:					
Other Expenses	13,000	13,000	5,283	7,717	
Contributions to Social Service Agency:					
MASH Van	21,800	21,800	18,900	2,900	
Recreation and Education:					
Recreation:					
Salaries and Wages	12,687	15,837	15,617	220	
Other Expenses	30,650	28,100	27,374	726	
Parks and Playgrounds:					
Other Expenses	119,500	118,900	108,275	10,625	
Construction Code Official:					
Salaries and Wages	130,000	130,000	117,210	12,790	
Other Expenses	51,225	51,225	30,863	20,362	
Communications and Public Information:					
Salaries and Wages	23,114	23,114	23,114	5,095	
Other Expenses	30,050	30,050	24,955		
Code Enforcement/Zoning:					
Salaries and Wages	36,500	36,500	35,479	1,021	
Other Expenses	4,250	4,250	2,639	1,611	



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MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Unclassified:					
Salary Adjustment Account	\$ 75,000	\$ 75,000		\$ 75,000	
Utilities	174,200	175,100	\$ 146,730	28,370	
Landfill/Solid Waste Disposal Costs - Recycling:					
Other Expenses	142,380	172,380	162,019	10,361	
Total Operations Within "CAPS"	6,098,954	6,087,954	5,339,552	748,402	
Contingency	5,000	5,000	2,336	2,664	
Total Operations Including Contingent Within "CAPS"	6,103,954	6,092,954	5,341,888	751,066	
Detail:					
Salaries and Wages	3,190,382	3,029,691	2,791,591	208,085	
Other Expenses	2,913,572	3,063,263	2,550,297	542,981	
Deferred Charges and Statutory Expenditures-					
Municipal Within "CAPS":					
Contributions to PERS	175,000	175,000	170,345	4,655	
Contributions to Social Security System (O.A.S.I.)	226,000	237,000	236,909	91	
Contributions to PFRS	423,573	423,573	422,380	1,193	
Defined Contribution Retirement Plan	6,750	6,750	4,100	2,650	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	831,323	842,323	833,734	8,589	
Total General Appropriations for Municipal Purposes Within "CAPS"	6,935,277	6,935,277	6,175,622	759,655	

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MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS"					
Aid to Library	\$ 201,000	\$ 201,000	\$ 188,000	\$ 13,000	
Length of Service Award Program - Fire	35,901	35,901		35,901	
Length of Service Award Program - Ambulance	30,229	30,229		30,229	
Public and Private Programs Offset by Revenue:					
Clean Communities (N.J.S.A. 40A:4-87 + \$11,510)		11,510	7,115	4,395	
Total Operations Excluded from "CAPS"	267,130	278,640	195,115	83,525	
Detail:					
Other Expenses	267,130	278,640	195,115	83,525	
Capital Improvements-Excluded from "CAPS":					
Capital Improvement Fund	1,027,000	1,027,000	1,027,000		
Total Capital Improvements Excluded from "CAPS"	1,027,000	1,027,000	1,027,000		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	432,000	432,000	432,000		
Payment of Bond Anticipation Notes	120,000	120,000	120,000		
Interest on Bonds	17,280	17,280	17,280		
Interest on Notes	9,800	9,800	6,189		\$ 3,611
Green Trust Loan Program - Principal and Interest	13,140	13,140	13,132		8
Total Municipal Debt Service Excluded from "CAPS"	592,220	592,220	588,601		3,619

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MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

	Appropriations		Expended By		Un-
	Budget	Budget After Modification	Paid or Charged	Reserved	expended Balance Cancelled
Total General Appropriations Excluded from "CAPS"	\$ 1,886,350	\$ 1,897,860	\$ 1,810,716	\$ 83,525	\$ 3,619
Subtotal General Appropriations	8,821,627	8,833,137	7,986,338	843,180	3,619
Reserve for Uncollected Taxes	745,705	745,705	745,705		
Total General Appropriations	9,567,332	9,578,842	8,732,043	843,180	3,619

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MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021  
 (Continued)

	Analysis of Budget After Modification	Analysis of Paid or Charged
Cash Disbursed		\$ 8,021,589
Reserve for Uncollected Taxes		745,705
Outstanding Encumbrances		222,696
Adopted Budget	\$ 9,567,332	
Adopted by NJSA 40A:4-87	11,510	
	9,578,842	8,989,990
Less: Appropriation Refunds		257,947
	\$ 9,578,842	\$ 8,732,043

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

Year	Balance Dec. 31, 2020	2021 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2021
			2020	2021				
2020	\$ 129,705			\$ 125,443		\$ 3,287	\$ 975	
2021		\$ 29,639,567	\$ 370,940	29,062,611	\$ 27,500	64,047	3,993	\$ 110,476
	<u>\$ 129,705</u>	<u>\$ 29,639,567</u>	<u>\$ 370,940</u>	<u>\$ 29,188,054</u>	<u>\$ 27,500</u>	<u>\$ 67,334</u>	<u>\$ 4,968</u>	<u>\$ 110,476</u>

<u>Analysis of 2021 Property Tax Levy</u>	
Tax Yield:	
General Purpose Tax	\$ 29,511,826
Business Personal Property Taxes	55,975
Added and Omitted Taxes	71,766
	<u>\$ 29,639,567</u>
Tax Levy:	
Regional High School Taxes	7,924,973
Local School District Taxes	11,737,380
	<u>\$ 19,662,353</u>
County Taxes	3,403,024
Due County for Added and Omitted Taxes	8,368
	<u>3,411,392</u>
Municipal Open Space Tax	109,840
	<u>23,183,585</u>
Local Tax for Municipal Purposes Levied	6,390,507
Add: Additional Tax Levied	65,475
	<u>6,455,982</u>
	<u>\$ 29,639,567</u>

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MENDHAM BOROUGH  
CURRENT FUND  
SCHEDULE OF 2020 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2021

	Balance Dec. 31, 2020	Balance After Mod- ification	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 3,205	\$ 3,205	\$ 299	\$ 2,906
Other Expenses	12,139	12,139	300	11,839
Mayor and Council:				
Salaries and Wages	500	500		500
Other Expenses	2,345	2,345	1,450	895
Municipal Clerk:				
Salaries and Wages				
Other Expenses	4,592	4,592	3,113	1,479
Annual Audit	21,000	21,000	21,000	
Computerized Data Processing	5,569	5,569	5,305	264
Financial Administration:				
Salaries and Wages	9,643	9,643		9,643
Other Expenses	29,059	29,059	17,200	11,859
Zoning:				
Salaries and Wages	3,866	3,866	1,568	2,298
Other Expenses	7,316	7,316	1,256	6,060
Assessment of Taxes:				
Salaries and Wages				
Other Expenses	3,553	3,553		3,553
Collection of Taxes:				
Salaries and Wages	3,940	3,940		3,940
Other Expenses	4,383	4,383		4,383
Legal Services and Costs	19,310	19,310	7,788	11,522
Engineering Services and Costs:				
Other Expenses	20,222	20,222	18,475	1,747
Historic Preservation:				
Other Expenses	6,771	6,771	36	6,735
Public Buildings and Grounds:				
Other Expenses	70,885	70,885	22,063	48,822
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	11,349	11,349	2,793	8,556
Insurance:				
Employee Group Health	5,375	5,375	4,289	1,086
General Liability Insurance	2,107	2,107	114	1,993
Aid to Volunteer Ambulance Company	22,092	22,092	13,230	8,862
Aid to Volunteer Fire Company	42,014	42,014	4,128	37,886
Fire:				
Salaries and Wages	1,657	1,657	1,470	187
Other Expenses	70,317	70,317	62,235	8,082
Police:				
Salaries and Wages	11,057	11,057	4,248	6,809
Other Expenses	69,694	69,694	36,982	32,712
Contractual Radio Dispatch	124,859	124,859	124,858	1
Municipal Court:				
Other Expenses	23,246	23,246	22,746	500
Office of Emergency Management:				
Other Expenses	4,796	4,796	2,324	2,472
Public Defender				
Other Expenses	1,000	1,000		1,000
Board of Health:				
Other Expenses	8,577	8,577	1,940	6,637

BOROUGH OF MENDHAM  
CURRENT FUND  
SCHEDULE OF 2020 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

	Balance Dec. 31, 2020	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Roads Repairs and Maintenance:				
Salaries and Wages	\$ 70,373	\$ 70,373	\$ 5,082	\$ 65,291
Other Expenses	57,278	57,278	33,543	23,735
Kelley Act - Mendham Commons	3,961	3,961	3,628	333
Animal Control:				
Other Expenses	8,389	8,389	450	7,939
Landfill/Solid Waste Disposal:				
Salaries and Wages	1,260	1,260	666	594
Other Expenses	64,948	64,948	34,664	30,284
Environmental Commission:				
Other Expenses	3,613	3,613		3,613
Parks and Playgrounds:				
Other Expenses	10,975	10,975	1,367	9,608
Contributions to Social Services Agency:				
MASH Van	5,142	5,142		5,142
Recreation:				
Salaries and Wages	15,580	15,580		15,580
Other Expenses	10,228	10,228	85	10,143
Shade Tree:				
Other Expenses	14,897	14,897	6,300	8,597
State Uniform Construction Code:				
Salaries and Wages	17,813	17,813	6,121	11,692
Other Expenses	53,788	53,788	506	53,282
Special Project				
Communications and Public Information:				
Other Expenses	15,000	15,000		15,000
Utilities	33,568	33,568	15,580	17,988
Contingent	151	151	63	88
Contribution to:				
Public Employees Retirement System	2,370	2,370	1,397	973
Public and Private Programs Offset by Revenue:				
Clean Communities Grant	4,454	4,454	4,136	318
Body Armor Fund	1,756	1,756		1,756
	<u>\$ 1,021,982.00</u>	<u>\$ 1,021,982</u>	<u>\$ 494,798</u>	<u>\$ 527,184</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 682,833			
Encumbered	339,149			
Cash Disbursed			\$ 480,186	
Accounts Payable			26,200	
Less: Refunds			(11,588)	
	<u>\$ 1,021,982</u>		<u>\$ 494,798</u>	

BOROUGH OF MENDHAM

COUNTY OF MORRIS

2021

GENERAL CAPITAL FUND

The general capital fund is used to account for the acquisition of capital facilities, other than those acquired in the current, utility operating, or utility capital funds



B

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

	December 31,	
	2021	2020
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 532,407	\$ 795,639
State Grants Receivable		325,000
Due from Current Fund	193,442	94,794
Due from Other Trust Fund	85,000	
Deferred Charges to Future Taxation:		
Funded		445,001
Unfunded	999,137	1,014,137
Overexpenditure of Ordinance Appropriation	80,633	
TOTAL ASSETS	<u>\$ 1,890,619</u>	<u>\$ 2,674,571</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable		\$ 432,000
Bond Anticipation Notes Payable	\$ 891,256	906,256
Green Acres Loan Payable		13,001
Improvement Authorizations:		
Funded	626,923	809,898
Unfunded	219,456	360,932
Accounts Payable	16,015	16,015
Capital Improvement Fund	35,806	35,806
Reserve For:		
Purchase of Fire Truck	70,000	70,000
Payment of Debt Service	29,900	29,900
Improvements	90	90
Fund Balance	1,173	673
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 1,890,619</u>	<u>\$ 2,674,571</u>





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B-4

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF GREEN ACRES LOAN PAYABLE

Balance December 31, 2020	\$ 13,001
Less: Principal matured	<u>13,001</u>
Balance December 31, 2021	<u><u>\$ -0-</u></u>

B-5

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Original Amount Issued	Date of			Interest Rate	Balance Dec. 31, 2020	Issued	Matured	Balance Dec. 31, 2021
			Issue of Original Note	Issue	Maturity					
13-12	Various Improvements	\$ 1,187,436	07/12/13	07/03/20 07/02/21	07/02/21 07/01/22	0.70% 0.25%	\$ 378,036	\$ 258,036	\$ 378,036	\$ 258,036
13-12	Various Improvements	27,720	07/03/19	07/03/20 07/02/21	07/02/21 07/01/22	0.70% 0.25%	27,720	27,720	27,720	27,720
4-19	Various Improvements	130,000	05/08/19	07/03/20 07/02/21	07/02/21 07/01/22	0.70% 0.25%	130,000	130,000	130,000	130,000
5-20	Acquisition of Equipment	370,500	09/04/20	09/04/20 09/02/21	09/03/21 07/01/22	0.66% 1.00%	370,500	370,500	370,500	370,500
8-21	Acquisition of Equipment	105,000	07/02/21	07/02/21	07/01/22	0.25%	105,000	105,000	105,000	105,000
							\$ 906,256	\$ 891,256	\$ 906,256	\$ 891,256
							Renewals	\$ 786,256	\$ 786,256	
							New Issues	105,000		
							Funded by Budget Appropriation		120,000	
								\$ 891,256	\$ 906,256	

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BOROUGH OF MENDHAM  
 GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Interest Rate	Balance		Matured	Balance	
			Dec. 31, 2020	Dec. 31, 2021		Dec. 31, 2021	Dec. 31, 2021
General Refunding Bonds of 2015	10/29/2015	4.000%	\$ 432,000	\$ 432,000	\$ 432,000	\$ -0-	

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BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	Balance Dec. 31, 2020	2021 Authori- zations	Bond Antici- pation Notes Issued	Balance Dec. 31, 2021
4-02/ 9-02	Various Improvements	\$ 49,170			\$ 49,170
17-04	Various Improvements	16,431			16,431
13-12	Various Improvements	42,280			42,280
8-21	Acquisition of DPW Equipment		\$ 105,000	\$ 105,000	
		<u>\$ 107,881</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 107,881</u>



BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2021  
TRUST FUNDS

Receipt, custodianship and disbursement of funds in accordance  
with the purpose for which each reserve was created.

BOROUGH OF MENDHAM  
TRUST FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2021  
 (With Comparative Totals for 2020)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2021	2020
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 4,894	\$ 1,087,574	\$ 10,932	\$ 64,350	\$ 1,167,750	\$ 1,195,828
Interfunds Receivable		38,596			38,596	37,375
<b>TOTAL ASSETS</b>	<u>\$ 4,894</u>	<u>\$ 1,126,170</u>	<u>\$ 10,932</u>	<u>\$ 64,350</u>	<u>\$ 1,206,346</u>	<u>\$ 1,233,203</u>
<b>LIABILITIES AND RESERVES</b>						
Due to State of New Jersey Board of Health	\$ 7				\$ 7	\$ 5
Interfunds Payable	1	\$ 85,000			85,001	1
Payroll Deductions and Withholdings				\$ 64,350	64,350	135,827
Reserve for Animal Control Fund Expenditures	4,886				4,886	4,083
Reserve for Other Trust Funds		1,041,170			1,041,170	1,082,355
Reserve for Public Assistance			\$ 10,932		10,932	10,932
<b>TOTAL LIABILITIES AND RESERVES</b>	<u>\$ 4,894</u>	<u>\$ 1,126,170</u>	<u>\$ 10,932</u>	<u>\$ 64,350</u>	<u>\$ 1,206,346</u>	<u>\$ 1,233,203</u>

C-1

BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

Balance December 31, 2020		\$	4,083
Increased by:			
License Fees Collected	\$	5,396	
Late Fees		285	
Miscellaneous		74	
			<u>5,755</u>
			9,838
Decreased by:			
Expenditures Under R.S.4:19-15.11			<u>4,952</u>
Balance December 31, 2021		\$	<u><u>4,886</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2019	\$ 5,287
2020	<u>5,197</u>
Maximum Allowable Reserve	<u><u>\$ 10,484</u></u>

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BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2020	Receipts	Disbursements	Balance Dec. 31, 2021
Reserve for:				
Special Deposits	\$ 4,415	\$ 571	\$ 1,825	\$ 3,161
Special Engineering Deposits	23,577	7,814	6,180	25,211
State Unemployment Trust Fund	44,018	15,259	4,573	54,704
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,489	6		2,495
Police Forfeiture Assets	6,585	13		6,598
Police Special Duty	54,046	218,584	239,521	33,109
Recreation Fund	31,346	94,342	107,296	18,392
Recycling Tonnage Fund	178,175	6,278	106,516	77,937
Open Space	203,795	204,449	62,369	345,875
Housing Trust	228,356	20,622	4,775	244,203
Other Trust Funds	58,498	33,821	55,935	36,384
Tax Sale Premiums	10,300	1,700		12,000
Storm Recovery	120,967		55,654	65,313
Compensated Absences	32,500			32,500
Self Insurance	80,000			80,000
Total	<u>\$ 1,082,355</u>	<u>\$ 603,459</u>	<u>\$ 644,644</u>	<u>\$ 1,041,170</u>

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BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2020	\$	10,932
Increased by Receipts:		
Interest		22
		<hr/> 10,954
Decreased by Disbursements:		
Due to Current Fund		22
		<hr/> 22
Balance December 31, 2021	\$	<hr/> <hr/> 10,932

C-4

BOROUGH OF MENDHAM  
PAYROLL FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	Balance Dec. 31, 2020	Additions	Deletions	Balance Dec. 31, 2021
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 135,827	\$ 2,200,388	\$ 2,271,865	\$ 64,350
TOTAL ASSETS	<u>\$ 135,827</u>	<u>\$ 2,200,388</u>	<u>\$ 2,271,865</u>	<u>\$ 64,350</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 135,827	\$ 2,200,388	\$ 2,271,865	\$ 64,350
TOTAL LIABILITIES	<u>\$ 135,827</u>	<u>\$ 2,200,388</u>	<u>\$ 2,271,865</u>	<u>\$ 64,350</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2021  
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

D

BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
COMPARATIVE BALANCE SHEET

	Sewer Utility Operating Fund December 31,	
	2021	2020
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 853,746	\$ 834,920
Change Fund	100	100
	<u>853,846</u>	<u>835,020</u>
Due from Sewer Utility Capital Fund	920	175
Receivables with Full Reserves:		
Consumer Accounts Receivable	<u>96,365</u>	<u>126,297</u>
TOTAL ASSETS	<u>\$ 951,131</u>	<u>\$ 961,492</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves:		
Unencumbered	\$ 256,144	\$ 248,783
Encumbered	<u>58,009</u>	<u>50,094</u>
Total Appropriation Reserves	<u>314,153</u>	<u>298,877</u>
Accounts Payable - Vendors	27,297	27,297
Accrued Interest on Bonds and Notes		<u>4,355</u>
	<u>341,450</u>	<u>330,529</u>
Reserve for Receivables	96,365	126,297
Fund Balance	<u>513,316</u>	<u>504,666</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 951,131</u>	<u>\$ 961,492</u>



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BOROUGH OF MENDHAM  
 UTILITY OPERATING FUNDS  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	Sewer Utility Operating Fund Year Ended December 31,	
	2021	2020
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 206,146	\$ 206,146
Sewer Fees and Charges	1,627,095	1,589,986
Miscellaneous Revenue	25,477	51,080
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	174,357	121,953
	<u>2,033,075</u>	<u>1,969,165</u>
Total Income		
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,394,114	1,374,227
Capital Improvements	71,000	75,000
Debt Service	295,165	294,386
Statutory Expenditures	58,000	59,000
	<u>1,818,279</u>	<u>1,802,613</u>
Total Expenditures		
Excess in Revenue	214,796	166,552
<u>Fund Balance</u>		
Balance January 1	504,666	544,260
	<u>719,462</u>	<u>710,812</u>
Decreased by:		
Utilized as Anticipated Revenue	206,146	206,146
	<u>206,146</u>	<u>206,146</u>
Balance December 31	<u>\$ 513,316</u>	<u>\$ 504,666</u>

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BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF REVENUES  
YEAR ENDED DECEMBER 31, 2021

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 206,146	\$ 206,146
Sewer Fees and Charges	1,570,641	1,611,248
Miscellaneous Revenue	30,000	25,477
Additional Sewer Fees and Charges	15,847	15,847
	<u>\$ 1,822,634</u>	<u>\$ 1,858,718</u>

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 1,656
Interest Due From Sewer Utility Capital Fund	745
Sewer Inspection Fees	6,800
Sewer Connection Fees	3,175
Delinquent Payment Penalties	7,598
Miscellaneous	2,943
Sewer Allocation	2,560
	<u>\$ 25,477</u>

Analysis of Sewer Fees and Charges:

Cash Collected and Overpayments Applied	<u>\$ 1,627,095</u>
	<u>\$ 1,627,095</u>

BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2021

Sewer Utility Operating Fund					
	Appropriations		Expended by		Unex- pended Balance Cancelled
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 416,162	\$ 416,162	\$ 390,334	\$ 25,828	
Other Expenses	977,952	977,952	752,035	225,917	
Total Operating	1,394,114	1,394,114	1,142,369	251,745	
Capital Improvements:					
Capital Improvement Fund	71,000	71,000	71,000		
Total Capital Improvements	71,000	71,000	71,000		
Debt Service:					
Payment of Bond Principal	288,000	288,000	288,000		
Interest on Bonds	11,520	11,520	7,165		\$ 4,355
Total Debt Service	299,520	299,520	295,165		4,355
Statutory Expenditures:					
Social Security System (O.A.S.I.)	34,000	34,000	30,181	3,819	
Public Employees' Retirement System	22,000	22,000	21,420	580	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	2,000	2,000	2,000		
Total Statutory Expenditures	58,000	58,000	53,601	4,399	
	<u>\$ 1,822,634</u>	<u>\$ 1,822,634</u>	<u>\$ 1,562,135</u>	<u>\$ 256,144</u>	<u>\$ 4,355</u>

Analysis of Paid or Charged:

Cash Disbursed	\$ 1,496,961
Accrued Interest on Debt	7,165
Outstanding Encumbrances	58,009
	<u>1,562,135</u>
Less: Appropriation Refunds	-0-
	<u>\$ 1,562,135</u>

D-4

BOROUGH OF MENDHAM  
UTILITY OPERATING FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2020	\$ 126,297
Increased by:	
Sewer Charges Levied	1,597,163
	<u>1,723,460</u>
Decreased by:	
Collections and Overpayments Applied	1,627,095
	<u>1,627,095</u>
Balance December 31, 2021	<u><u>\$ 96,365</u></u>

D-5

BOROUGH OF MENDHAM  
UTILITY OPERATING FUND  
SCHEDULE OF 2020 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2021

	Balance Dec. 31, 2020	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 37,550	\$ 37,550	\$ 4,187	\$ 33,363
Other Expenses	252,259	252,259	120,333	131,926
Social Security	9,068	9,068		9,068
	<u>\$ 298,877</u>	<u>\$ 298,877</u>	<u>\$ 124,520</u>	<u>\$ 174,357</u>

Analysis of Balance:

Unencumbered	\$ 248,783
Encumbered	<u>50,094</u>
	<u>\$ 298,877</u>

Analysis of Paid or Charged:

Cash Disbursed	<u>\$ 124,520</u>
	<u>\$ 124,520</u>

D-6

BOROUGH OF MENDHAM  
UTILITY OPERATING FUND  
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES

Balance December 31, 2020	\$ 4,355
Increased by:	
Charged to Current Year Budget	7,165
	<u>11,520</u>
Decreased by:	
Interest Paid	11,520
	<u>11,520</u>
Balance December 31, 2021	<u><u>-0-</u></u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2021  
UTILITY CAPITAL FUNDS

Accounts for the acquisition of capital facilities of the  
municipally owned sewer utility

E

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUNDS  
COMPARATIVE BALANCE SHEET

	Sewer Utility Capital Fund December 31,	
	2021	Restated 2020
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 154,185	\$ 519,615
Fixed Capital	14,274,276	14,274,276
Fixed Capital Authorized and Uncompleted	5,468,800	5,342,800
<b>TOTAL ASSETS</b>	<b>\$ 19,897,261</b>	<b>\$ 20,136,691</b>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable		\$ 288,000
Loan Payable - NJ I-Bank - Project in Progress	\$ 557,951	420,803
Improvement Authorizations:		
Funded	136,436	39,501
Unfunded	4,022,670	4,567,928
Due to Sewer Utility Operating Fund	920	175
Capital Improvement Fund	374,208	429,208
Reserve for:		
Amortization	14,274,277	13,986,277
Deferred Amortization	393,800	267,800
Payment of Debt Service	1,336	1,336
Fund Balance	135,663	135,663
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b>\$ 19,897,261</b>	<b>\$ 20,136,691</b>





MENDHAM BOROUGH  
UTILITY CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2020</u>	<u>Matured</u>	<u>Balance Dec. 31, 2021</u>
Sewer Refunding Bonds of 2015	10/29/2015	4.000%	<u>\$ 288,000</u>	<u>\$ 288,000</u>	<u>\$ -0-</u>

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

NOT APPLICABLE

E-4

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Date	Ordinance Amount	Balance Dec. 31, 2020		2021 Authorizations Capital Improvement Fund	Paid or Charged	Balance Dec. 31, 2021	
				Funded	Unfunded			Funded	Unfunded
05-18	Improvement of the Sanitary Sewerage System	06/07/18	\$ 140,000	\$ 3,956				\$ 3,956	
09-19	Acquisition of New Vehicle	08/26/19	47,000	1,552				1,552	
11-19	Improvement of Sewerage System	09/23/19	5,075,000		\$ 4,567,928		\$ 545,258		\$ 4,022,670
04-20	Improvement of the Sanitary Sewerage System	06/10/20	62,000	\$ 33,993			18,941	15,052	
11-21	Improvement of the Sanitary Sewerage System	08/23/21	126,000			\$ 126,000	10,124	115,876	
				\$ 39,501	\$ 4,567,928	\$ 126,000	\$ 574,323	\$ 136,436	\$ 4,022,670

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUND  
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2020	Fixed Capital Authorized	Balance Dec. 31, 2021
09-13	Acquisition of New and Additional Sewer Equipment	06/03/13	\$ 105,000		\$ 105,000
05-14	Acquisition of New and Additional Sewer Equipment	05/19/14	70,000		70,000
02-17	Acquisition of New UV System	02/21/17	67,800		67,800
05-17	Copper Study	04/17/17	25,000		25,000
11-21	Improvement of Sewerage System	08/23/21		\$ 126,000	126,000
			<u>\$ 267,800</u>	<u>\$ 126,000</u>	<u>\$ 393,800</u>

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2021

Ord. No.	Improvement Description	Balance Dec. 31, 2020	Loans Issued	Balance Dec. 31, 2021
11-19	Improvement of Sewerage System	\$ 4,654,197	\$ 137,148	\$ 4,517,049
		<u>\$ 4,654,197</u>	<u>\$ 137,148</u>	<u>\$ 4,517,049</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2021  
GENERAL FIXED ASSETS ACCOUNT GROUP  
(Unaudited)

F

BOROUGH OF MENDHAM  
GENERAL FIXED ASSETS ACCOUNT GROUP  
SCHEDULE OF GENERAL FIXED ASSETS  
 (Unaudited)

<u>GENERAL FIXED ASSETS:</u>	December 31,	
	<u>2021</u>	<u>2020</u>
Assets:		
Land	\$ 1,767,500	\$ 1,767,500
Buildings and Building		
Improvements	3,535,152	3,535,152
Machinery and Equipment	<u>2,793,347</u>	<u>2,793,347</u>
Total Assets	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>
RESERVES:		
Reserve for General Fixed Assets	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>



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BOROUGH OF MENDHAM  
GENERAL FIXED ASSETS ACCOUNT GROUP  
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
 (Unaudited)

	Balance Dec. 31, 2020	Balance Dec. 31, 2021
Current Fund	\$ 6,417,568	\$ 6,417,568
General Capital Fund	1,513,312	1,513,312
Sewer Utility Operating Fund	10,664	10,664
Sewer Utility Capital Fund	<u>154,455</u>	<u>154,455</u>
Total	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>

**STATISTICAL SECTION**  
**(Unaudited)**

Table 1

BOROUGH OF MENDHAM  
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION  
LAST TEN YEARS  
UNAUDITED

EXPENDITURES	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current Fund:										
General Government	\$ 2,355,920	\$ 2,342,010	\$ 2,380,996	\$ 2,263,847	\$ 2,370,654	\$ 2,335,896	\$ 2,330,681	\$ 2,410,004	\$ 2,536,443	\$ 2,687,499
Public Safety	2,057,970	2,010,962	2,049,109	2,057,174	2,072,341	2,101,259	2,122,405	2,253,232	2,240,111	2,408,867
Streets and Roads	799,895	858,383	874,333	971,423	1,027,497	1,017,440	1,057,925	1,097,972	1,141,362	1,007,016
Health and Welfare	98,385	99,457	101,482	98,277	97,946	102,786	100,768	98,688	106,755	105,375
Recreation and Education	130,285	110,287	103,971	91,350	81,531	77,170	159,900	273,250	170,895	162,837
Deferred Charges and Statutory Expenditures	656,305	679,397	721,738	624,886	654,594	675,879	721,079	733,622	759,950	842,323
Capital	133,000	133,000	133,000	320,000	320,000	320,000	370,000	375,000	453,000	1,027,000
Debt Service	578,777	581,024	638,594	752,471	756,275	757,332	748,934	603,091	603,904	588,601
Reserve for Uncollected Taxes	695,770	709,685	709,685	709,685	723,885	731,085	738,395	745,705	745,705	745,705
Current Fund Budget Totals	7,506,307	7,524,205	7,712,908	7,889,113	8,104,723	8,118,847	8,350,087	8,590,564	8,758,125	9,575,223
Utility Operating Funds:										
Utility Operations	1,284,788	1,244,180	1,252,384	1,256,641	1,295,200	1,324,932	1,336,705	1,317,565	1,374,227	1,394,114
Deferred Charges and Statutory Expenditures	36,000	52,569	53,516	53,516	55,449	56,234	57,414	58,212	59,000	58,000
Capital	75,000	75,000	75,000	75,000	25,000	75,000	120,000	75,000	75,000	71,000
Debt Service	539,201	542,841	542,151	523,312	539,757	525,842	293,763	294,842	294,386	295,165
Utility Operating Fund Budget Totals	1,934,989	1,914,590	1,923,051	1,908,469	1,915,406	1,982,008	1,807,882	1,745,619	1,802,613	1,818,279
County Taxes	3,374,677	3,420,007	3,488,056	3,507,990	3,502,567	3,581,574	3,582,288	3,564,076	3,538,656	3,411,392
Local and Regional School Taxes	15,787,280	16,043,847	16,687,635	17,255,946	17,732,026	18,383,927	18,702,616	18,836,937	19,333,567	19,662,353
Municipal Open Space Taxes	109,594	109,594	109,594	109,594	109,594	109,769	109,769	109,982	109,677	109,840
Other Expenditures	40,053	279,218	320,393	140,000	280,072	155,735	652,972	416,573	50,078	61,313
TOTAL EXPENDITURES	\$ 28,752,900	\$ 29,291,461	\$ 30,241,637	\$ 30,811,112	\$ 31,644,388	\$ 32,331,860	\$ 33,205,614	\$ 33,263,751	\$ 33,592,716	\$ 34,638,400

Source: Borough records.

Table 2

BOROUGH OF MENDHAM  
GOVERNMENTAL FUND REVENUE BY SOURCE  
LAST TEN YEARS  
UNAUDITED

REVENUE	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current Fund:										
Fund Balance Anticipated	\$ 1,206,487	\$ 1,206,487	\$ 1,323,918	\$ 1,423,918	\$ 1,517,024	\$ 1,508,817	\$ 1,627,630	\$ 1,685,712	\$ 1,713,212	\$ 2,181,988
Miscellaneous Revenue	860,841	852,044	807,587	799,084	1,032,109	834,866	763,343	824,650	878,191	1,009,707
Receipts from Delinquent Taxes	132,788	134,794	176,378	159,645	209,055	167,304	108,883	116,213	68,902	125,443
Receipts from Current Taxes	5,975,249	6,048,282	6,172,724	6,195,828	6,405,531	6,527,993	6,740,423	6,716,455	6,808,813	7,023,171
Current Fund Budget Totals	8,175,365	8,241,607	8,480,607	8,578,475	9,163,719	9,038,980	9,240,279	9,343,030	9,469,118	10,340,309
Utility Operating Funds:										
Fund Balance Anticipated	440,092	415,709	432,869	426,607	399,607	451,292	156,542	174,674	206,146	206,146
Water and Sewer Rents	1,578,650	1,591,825	1,604,590	1,596,432	1,561,543	1,589,175	1,581,208	1,564,116	1,589,986	1,627,095
Miscellaneous Revenue	20,503	26,312	27,760	19,900	22,822	49,622	37,060	36,015	51,080	25,477
Utility Operating Fund Budget Totals	2,039,245	2,033,846	2,065,219	2,042,939	1,983,972	2,090,089	1,774,810	1,774,805	1,847,212	1,858,718
Non-Budget Revenues	414,249	413,122	533,802	409,761	369,104	369,646	381,580	509,073	1,143,609	699,558
Other Credits to Income	398,683	613,969	641,454	761,330	560,649	515,146	798,487	961,755	896,095	701,542
Taxes Allocated to School, County and Open Space	19,271,551	19,573,448	20,285,285	20,873,530	21,344,187	22,075,270	22,394,673	22,510,995	22,981,900	23,183,585
TOTAL REVENUE	\$ 30,299,093	\$ 30,875,992	\$ 32,006,367	\$ 32,666,035	\$ 33,421,631	\$ 34,089,131	\$ 34,589,829	\$ 35,099,658	\$ 36,337,934	\$ 36,783,712

Source: Borough records.

Table 3

BOROUGH OF MENDHAM  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS  
UNAUDITED

Year	Total Tax Levy	Percent of			Ratio of		Ratio of Delinquent Taxes to Total Tax Levy	
		Current Tax Collections	Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections to Total Tax Levy		Outstanding Delinquent Taxes
2012	\$ 24,742,237	\$ 24,551,030	99.22%	\$ 132,788	\$ 24,683,818	99.76%	\$ 135,128	0.55%
2013	25,151,774	24,912,045	99.04%	134,803	25,046,848	99.58%	176,378	0.70%
2014	25,946,411	25,748,324	99.23%	176,378	25,924,702	99.92%	162,390	0.63%
2015	26,604,349	26,359,673	99.08%	159,645	26,519,318	99.68%	211,430	0.79%
2016	27,195,334	27,025,833	99.37%	209,055	27,234,888	100.15%	169,452	0.62%
2017	28,042,759	27,872,178	99.39%	167,304	28,039,482	99.99%	119,113	0.42%
2018	28,519,981	28,396,701	99.56%	108,883	28,505,584	99.95%	118,481	0.42%
2019	28,754,548	28,481,745	99.05%	116,213	28,597,958	99.46%	160,344	0.56%
2020	29,275,674	29,045,008	99.21%	68,902	29,113,910	99.45%	129,705	0.44%
2021	29,639,567	29,461,051	99.39%	125,443	29,586,494	99.82%	110,476	0.37%

Source: Tax Collector.

Table 4

BOROUGH OF MENDHAM  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN YEARS  
UNAUDITED

<u>Year</u>	<u>West Morris Regional High School</u>	<u>Mendham School District</u>	<u>Mendham Borough</u>	<u>Morris County</u>	<u>Municipal Open Space</u>	<u>Total</u>
2012	\$ 0.467	\$ 0.758	\$ 0.422	\$ 0.263	\$ 0.009	\$ 1.919
2013	0.485	0.767	0.430	0.267	0.008	1.957
2014	0.517	0.782	0.437	0.272	0.008	2.016
2015	0.535	0.809	0.444	0.273	0.009	2.070
2016	0.546	0.836	0.453	0.274	0.008	2.117
2017	0.572	0.862	0.461	0.280	0.008	2.183
2018	0.581	0.878	0.469	0.279	0.008	2.215
2019	0.584	0.894	0.481	0.280	0.008	2.247
2020	0.615	0.906	0.492	0.280	0.008	2.301
2021	0.627	0.930	0.506	0.271	0.008	2.342

Source: Tax Collector.

Table 5

BOROUGH OF MENDHAM  
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY  
LAST TEN YEARS  
UNAUDITED

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<u>Year</u>	<u>Net Assessed Valuation Taxable</u>	<u>Estimated Full Cash Valuations</u>	<u>Percent of Net Assessed to Estimated Full Cash Valuations</u>
2012	\$ 1,289,110,375	\$ 1,377,289,533	93.60%
2013	1,282,175,833	1,354,282,340	94.68%
2014	1,284,514,035	1,361,837,683	94.32%
2015	1,283,810,435	1,403,066,919	91.50%
2016	1,283,106,098	1,370,993,717	93.59%
2017	1,282,412,388	1,377,174,538	93.12%
2018	1,282,969,973	1,370,264,803	93.63%
2019	1,274,837,156	1,363,844,456	93.47%
2020	1,271,263,456	1,367,265,859	92.98%
2021	1,262,502,152	1,314,880,091	96.02%

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM  
 TEN LARGEST TAXPAYERS  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2021 Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
V-Fee Realty	Shopping Center	\$ 22,611,800	1.79%
Individual Taxpayer #1	Individual	8,564,900	0.68%
Holly Manor	Nursing Home	8,558,600	0.68%
Roxiticus Golf Club	Golf and Tennis Club	8,003,500	0.63%
Individual Taxpayer #2	Individual	5,682,500	0.45%
Individual Taxpayer #3	Individual	5,652,500	0.45%
Individual Taxpayer #4	Individual	5,201,700	0.41%
Individual Taxpayer #5	Individual	5,000,000	0.40%
Individual Taxpayer #6	Individual	4,779,200	0.38%
Individual Taxpayer #7	Individual	4,396,300	0.35%
Total		<u>\$ 78,451,000</u>	<u>6.21%</u>

Source: Tax Assessor



Table 7

BOROUGH OF MENDHAM  
COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2021  
UNAUDITED

<u>Year Ended December 31,</u>	<u>Equalized Valuation Basis</u>	
2021	\$ 1,363,610,107	
2020	1,319,684,205	
2019	<u>1,366,746,134</u>	
	<u>\$ 4,050,040,446</u>	
Average equalized valuation of taxable property		\$ 1,350,013,482
Borough borrowing margin (3.5% of \$1,350,013,482 )	\$ 47,250,472	
Net debt as of December 31, 2021	<u>969,237</u>	
Borough borrowing margin available	<u>\$ 46,281,235</u>	

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2021, 2020, and 2019.

Table 8

BOROUGH OF MENDHAM  
RATIO OF NET GENERAL OBLIGATION DEBT  
TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA  
LAST TEN YEARS  
UNAUDITED

<u>Year</u>	<u>Population (*)</u>	<u>Assessed Value</u>	<u>Net General Obligation Debt</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Net General Obligation Debt Per Capita</u>
2012	5,031	\$ 1,289,110,375	\$ 5,588,656	0.43%	\$ 1,111
2013	5,025	1,282,175,833	5,164,345	0.40%	1,028
2014	5,013	1,284,514,035	4,531,966	0.35%	904
2015	5,000	1,283,810,435	3,901,697	0.30%	780
2016	4,988	1,283,106,098	3,240,162	0.26%	699
2017	4,978	1,282,412,388	2,565,792	0.20%	515
2018	4,910	1,282,969,973	1,884,172	0.15%	384
2019	4,847	1,274,837,156	1,540,377	0.12%	318
2020	4,836	1,271,263,456	1,351,257	0.11%	279
2021 *	4,836	1,262,502,152	891,256	0.07%	184

Source: Borough of Mendham Records

(\*) Information provided by U.S. Bureau of the Census, Population Division, 2021 numbers not available, used 2020 as an estimate.

Table 9

BOROUGH OF MENDHAM  
RATIO OF DEBT SERVICE FOR BONDED DEBT  
(INCLUDING BOND ANTICIPATION NOTES) TO GOVERNMENTAL EXPENDITURES  
LAST TEN YEARS  
UNAUDITED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2012	\$ 858,037	\$ 259,941	\$ 1,117,978	\$ 28,752,900	3.89%
2013	883,038	240,991	1,124,029	29,291,461	3.84%
2014	945,997	234,748	1,180,745	30,241,637	3.90%
2015	1,096,091	179,692	1,275,783	30,811,112	4.14%
2016	1,146,891	149,141	1,296,032	31,644,388	4.10%
2017	1,153,249	129,925	1,283,174	32,331,860	3.97%
2018	941,265	101,432	1,042,697	33,205,614	3.14%
2019	816,265	81,669	897,934	33,263,751	2.70%
2020	836,264	62,026	898,290	33,592,716	2.67%
2021	853,002	30,764	883,766	34,638,400	2.55%

Source: Borough of Mendham Records

Table 10

BOROUGH OF MENDHAM  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS  
UNAUDITED

<u>Year</u>	<u>Unemployment Rate(**),(***)</u>	<u>Per Capita Income *,(****)</u>	<u>Population(*),(****)</u>
2012	7.10 %	\$ 80,013	5,031
2013	6.30 %	80,783	5,025
2014	4.70 %	83,876	5,013
2015	3.70 %	86,582	5,000
2016	3.80 %	86,582	4,988
2017	3.70 %	94,259	4,978
2018	3.50 %	98,842	4,910
2019	3.00 %	101,646	4,847
2020	6.20 %	101,646 ***	4,836
2021	6.20 % ****	101,646 ***	4,836

Source: Borough of Mendham Records

\* Indicates County information from the U.S. Department of Commerce

(\*) Information provided by U.S. Bureau of Census, Population Division

(\*\*) Information provided by N.J. Department of Labor

(\*\*\*) Information not available for 2021 and 2020, used 2019 as an estimate

(\*\*\*\*) Information not available for 2021, used 2020 as an estimate

Table 11

BOROUGH OF MENDHAM  
MISCELLANEOUS STATISTICS  
DECEMBER 31, 2021  
UNAUDITED

Date of Incorporation	May 15, 1906
Form of Government	Borough
Number of Employees	Full Time 32 Part Time 33
Area in square miles	6
Borough of Mendham Facilities and Services :	
Miles of streets	33.66
Number of street lights	205
Culture and Recreation:	
Community Centers	2
Parks	9
Park acreage	245
Tennis courts	4
Fire protection:	
Number of Stations	1
Number of Fire personnel and officers	54
Number of calls answered	249
Number of inspections conducted	232
Emergency medical services:	
Number of Stations	1
Number of Emergency medical personnel and officers	43
Number of calls answered	407
Police protection: Chief	
Number of stations	1
Number of police personnel and officers	16
Number of patrol units	10
Number of law violations	
Physical Arrests	19
Traffic violations	907
Parking violations	61
Sewerage System:	
Miles of sanitary sewers	32
Number of Lift Stations	4
Number of treatment plants	1
Number of service connections	1,673
Daily average treatment in gallons	325,000
Permitted daily capacity of treatment plant in gallons	450,000
Water System	Privately Owned
Facilities and services not included in the primary government:	
Cable Television System:	
Miles of service	20
Number of satellite receiving stations	25
Education:	
Number of elementary schools	2
Employees:	
Certified	62
Other	24

Source - Various Borough offices and servicing entities

**SINGLE AUDIT SECTION**

Schedule 1

BOROUGH OF MENDHAM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2021

Name of Federal Agency or Department	Name of Program	CFDA Number	Grant Period From To	State Grant #	Amount Paid to Subrecipients	Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
U.S. Department of Homeland Security (Passed through New Jersey Department of Law and Public Safety)	Disaster Grants - Public Assistance - F.E.M.A. Tropical Storm Isaias	97.036	1/1/2021 12/31/2021	100-066-1200- C73-069820		\$ 124,963	\$ 124,963	\$ 124,963 *	\$ 124,963
	Disaster Grants - Public Assistance - F.E.M.A. Winter Storm Orlena	97.036	1/1/2021 12/31/2021	100-066-1200- C80-066290		51,524	51,524	51,524	51,524
	Disaster Grants - Public Assistance - F.E.M.A. Coronavirus Pandemic	97.036	1/1/2021 12/31/2021	100-066-1200- C50-063710		29,371	29,371	29,371	29,371
	Disaster Grants - Hazard Mitigation - F.E.M.A. Hurricane Sandy	97.039	1/1/2013 12/31/2021	100-066-1200- B07-063520		57,896	57,896	57,896 *	57,896
Subtotal - U.S. Department of Homeland Security						263,754	263,754	263,754	263,754
U.S. Department of Treasury (Passed through New Jersey Department of Community Affairs)	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	3/3/2021 12/31/2024	100-022-8030- 687-046010		507,328	253,664		
						507,328	253,664		
Subtotal - U.S. Department of Treasury						\$ 771,082	\$ 517,418	\$ 263,754	\$ 263,754
TOTAL FEDERAL AWARDS									

\* Expended in a prior year.

See Accompanying Notes to the Schedules of Expenditures of Federal and State Awards

Schedule 2

BOROUGH OF MENDHAM  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2021

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
			From	To				
Department of Law and Public Safety	Body Armor Replacement	718-066-1020-001-090160	01/01/19	12/31/22	\$ 1,592			\$ 1,364
			01/01/20	12/31/22	1,507			
			01/01/21	12/31/22	1,237	\$ 1,237		
					4,336	1,237		1,364
	NJ Statewide Body Worn Camera	100-066-1020-495-092120	01/01/21	12/31/22	5,299	5,299		
					9,635	6,536		1,364
Subtotal - Department of Law and Public Safety								
Department of Environmental Protection	Clean Communities Act	765-042-4900004-178910	01/01/20	12/31/21	10,817		\$ 7,918	10,817
			01/01/21	12/31/22	11,510	11,510	3,333	3,333
					22,327	11,510	11,251	14,150
	Recycling Tonnage Grant	100-042-4910224-238490	01/01/21	12/31/21	6,278	6,278	6,278	6,278
					28,605	17,788	17,529	20,428
Subtotal - Department of Environmental Protection								
New Jersey Infrastructure Bank (NJIB)	I-BANK LOAN	N/A	01/01/21	12/31/22	557,951	137,148	137,148	557,951
Department of Transportation	Highway Planning and Construction	480-078-6320-AN8-606280	01/01/20	12/31/21	325,000	325,000	325,000	325,000
Subtotal - Department of Transportation					325,000	325,000	325,000	325,000
TOTAL STATE AWARDS			\$ 925,191		\$ 486,472	\$ 479,677	\$	904,743
N/A - not available								

See Accompanying Notes to the Schedules of Expenditures of Federal and State Awards



BOROUGH OF MENDHAM  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2021

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 Mendham under programs of the federal and state governments for the year ended December 31, 2021. 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 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 presented using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Borough has not elected 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.

D. STATE LOANS OUTSTANDING

The Borough has the following loan outstanding as of December 31, 2021:

NJ I-Bank – Project in Progress    \$557,951

The Borough is in the process of repaying these loans. The Borough received \$557,951 as of December 31, 2021. There were no loan expenditures in the current year. The project related to the loan is not complete.



Mount Arlington, NJ  
 Newton, NJ  
 Bridgewater, NJ  
 973.298.8500  
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 Independent Member  
 BKR International

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 Auditors' Report

The Honorable Mayor and Members  
 of the Borough Council  
 Borough of Mendham  
 Mendham, 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 Mendham, in the County of Morris (the "Borough") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements and have issued our report thereon dated December 1, 2022. 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 qualified report also indicated that we did not audit the general fixed assets account group.

**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 have not been identified. 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 2021-001, and 2021-002 that we consider to be significant deficiencies.

The Honorable Mayor and Members  
of the Borough Council  
Borough of Mendham  
Page 2

## **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  
December 1, 2022

NISIVOCCIA LLP

Francis Jones of Nisivoccia LLP  
Francis Jones  
Certified Public Accountant  
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2021

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 general fixed assets account group was not audited.
- 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 OMB's Circular 15-08 for the year ended December 31, 2021 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000.

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 2021-001 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. 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. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, and permit and license fees; recording of collections; and processing of payroll.

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 MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

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

Finding 2021-001 Segregation of Duties (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

Accordingly, the duties of personnel involved with both the recording and treasury functions should be reviewed to determine whether duties can be reassigned to existing personnel in order to improve the segregation of duties.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Finding 2021-002 Fixed Assets

Criteria

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

Condition

The Borough does not maintain a fixed assets accounting and reporting system. A fixed asset accounting and reporting system is required to be in compliance with the Division's accounting requirements. 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. In addition to maintaining records of acquisitions, disposals and movement of fixed assets, the system could possibly be used to aid in the planning for replacement of assets.

Cause

Sufficient Borough personnel and/or financial resources were not available to perform the updated inventory of the Borough's fixed assets.

Effect or Potential Effect

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

Recommendation

We will pass on making a formal recommendation as the Borough has already undertaken the process to maintain Fixed Assets records.

BOROUGH OF MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Finding 2021-002 Fixed Assets (Cont'd)

Management's Response

The finding was evaluated, the Borough is in the process of obtaining a vendor to complete the fixed asset report.

BOROUGH OF MENDHAM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2021

The prior year findings 2020-001 and 2020-002 regarding segregation of duties and fixed assets were not resolved due to budgetary constraints and are included in the current year findings.

**COMMENTS AND RECOMMENDATIONS  
SECTION**



BOROUGH OF MENDHAM  
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

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

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1071, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, 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 Mendham has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

BOROUGH OF MENDHAM  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (Cont'd)

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4.

The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

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

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. In January 2021, the governing body adopted a resolution authorizing interest to be charged on delinquent taxes including the following:

BE IT RESOLVED by the Mayor and Council of the Borough of Mendham, County of Morris, and State of New Jersey, that the rate of interest on unpaid taxes shall be eight percent (8%) per annum on the first One Thousand Five Hundred (\$1,500) Dollars of delinquency and 18 percent (18%) per annum on any amount of delinquency in excess of One Thousand Five Hundred (\$1,500) Dollars to be calculated from the date the tax was payable until the date of actual payment; and

BE IT FURTHER RESOLVED, that the rate of interest on unpaid sewer bills shall be eight percent (8%) per annum to be calculated from the date the tax was payable until the date of actual payment, provided that no interest shall be charged if payment of any bill is made within thirty (30) days following the billing date, and

BE IT FURTHER RESOLVED, that in addition to the interest provided above, on all delinquencies of taxes and municipal charges in excess of Ten Thousand (\$10,000) Dollars and which are not paid prior to the end of the fiscal year; the Tax Collector shall also collect a penalty of six percent (6%) of the amount of the delinquency in addition to the interest herein above provided.

It appears from a test examination of the Collector's records that interest was generally collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held during the year ended December 31, 2021. All eligible properties were included in the sale.

BOROUGH OF MENDHAM  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Delinquent Taxes and Tax Title Liens (Cont'd)

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

<u>Year</u>	<u>Number of Liens</u>
2021	3
2020	2
2019	3

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments 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>
Payments of 2021 Taxes	25
Payments of 2022 Taxes	25
Delinquent Taxes	10
Payments of Sewer Utility Charges	5
Delinquent Sewer Utility Charges	10

Verification notices were mailed to confirm balances as of December 31, 2021. The items that were returned were checked and in agreement with the Borough's records. For items not returned, alternative procedures were performed, as appropriate.

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 and recording system.

The Borough is in compliance with the New Jersey Administrative Code accounting requirements at December 31, 2021, except for the fixed assets records more fully described in the preceding Schedule of Findings and Responses.

BOROUGH OF MENDHAM  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Outside Offices

During our testing of the police cash book it was noted that receipts are not always being turned over to the finance department within forty-eight hours of receipt.

Recommendation

It is recommended that the police receipts be turned over to the finance department within 48 hours of receipt.

Management's Response

Administration will ensure that the police department will turn over the cash receipts within forty-eight hours of receipt.

Purchase Orders

During the course of our audit testing, we noted a few instances where purchases were made prior to the preparation and approval of purchase orders.

Recommendation

It is recommended that purchase orders be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Management's Response

All purchase orders will be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Capital Ordinances

During our review of the General Capital Fund, it was noted that Capital Ordinance 3-20 was overexpended in the current year.

Recommendation

It is recommended that capital ordinance balances are monitored on a regular basis to avoid overexpenditures.

Management's Response

Capital ordinance balances will be monitored on a regular basis to avoid overexpenditures.

BOROUGH OF MENDHAM  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Municipal Court

The transactions for the year 2021 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

	Balance Dec. 31, 2020	Receipts	Dis- bursements	Balance Dec. 31, 2021
State of New Jersey	\$ 2,010	\$ 29,249	\$ 29,488	\$ 1,771
County	713	14,941	14,925	729
Municipality	2,054	33,955	34,095	1,914
Municipality POAA		6	6	
Weights and Measures		14,700	12,350	2,350
	<u>\$ 4,777</u>	<u>\$ 92,851</u>	<u>\$ 90,864</u>	<u>\$ 6,764</u>

Management Suggestions

Dedication by Rider

We suggest that the Borough review all trust funds to reflect that a proper dedication by rider is approved for every trust reserve fund, and approve resolutions in 2022 as needed.

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 87, *Leases*, is effective for the year ended December 31, 2022. Previously leases were either categorized as capital leases or operating leases. This statement will likely affect most leases formerly classified as operating leases. There will be required disclosures for leases for which the Borough is either a lessee or a lessor although there will be no impact on the actual financial statements. It is likely that a lease software or similar spreadsheets will need to be utilized to perform the various calculations necessary to implement this standard.

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.

BOROUGH OF MENDHAM  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Management Suggestions (Cont'd)

Borough Personnel Manual

It was noted that deviations from the Borough's personnel manual may possibly have occurred during the year. In addition, certain Borough records could not be located and may have been removed or eliminated without authorization. These items require additional time to be investigated further, and possible resolutions and/or recommendations will be determined as these items are resolved.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2020 audit report. The prior year recommendations 1, 3, and 4 were not resolved and are included as current year recommendations. Recommendation 2 regarding tax collector records was resolved in the current year audit.

BOROUGH OF MENDHAM  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. Capital ordinance balances are monitored on a regular basis to avoid overexpenditures.
3. The police receipts be turned over to the finance department within 48 hours of receipt.
4. Purchase orders be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

\* \* \* \* \*