BOROUGH
OF

MENDHAM

Borough of Mendham
County of Morris
Mendham, New Jersey

Annual Comprehensive Financial Report
For the Year Ended December 31, 2025

Annual Comprehensive Financial Report

of the

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Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2025

Prepared by

Borough of Mendham
Finance Department

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INTRODUCTORY SECTION
(Unaudited)

The Borough of Mendham

"Preserving the Past - Building the Future"

mendhamnj.org

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May 27, 2026

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, 2025, 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 group 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 25-12, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' 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 subject to the single audit provisions of New Jersey's OMB Circular 25-12 for the year ended December 31, 2025 as state award expenditures exceeded the threshold in New Jersey's OMB Circular 25-12. The Borough was not subject to the requirements of the Uniform Guidance as federal award expenditures were below the threshold.

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.

The historic Borough of Mendham, settled in the 1720s, is in scenic southern Morris County, adjacent to Bernardsville and Mendham Township. 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 2025 population is an estimated 4,970 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 while the median home sale price is $822,500. 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. Eighty-eight percent of residents are connected to the Borough sewer system.

Mendham Borough has multiple parks that provide athletic fields, tennis courts, picnic areas, outdoor basketball courts, and a turf soccer field. The Borough has a volunteer fire department and first aid squad, along with an accredited police department. Other community services include a dedicated senior citizen center, and a public library. Five different churches are located in the Borough. Mendham Village Shopping Center is the main commercial center along with various boutique shops and restaurants all along Main Street. The municipality is served by Chase Bank, Peapack-Private Bank, Provident Bank, and Wells Fargo Bank.

While some residents work in local businesses, the Borough of Mendham is primarily a bedroom community served by the railroad stations in nearby Morristown and Bernardsville. A number of residents are professionals employed by large companies in the area, including Atlantic Health Systems, Novartis, Barclays, Bayer and ADP.

<u>LOCAL SCHOOL DISTRICT:</u> About 500 students are enrolled at the two elementary schools (PreK- Gr.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. In addition, specialized services are provided for students in need. A positive working and learning environment are fostered by securing the cooperation of parents and community groups. The school system has an excellent teaching staff and opportunities are provided for staff members, students, and parents to make recommendations concerning the operation of the schools. Hilltop Elementary School is designated as a National Blue Ribbon School.

<u>REGIONAL HIGH SCHOOL DISTRICT</u>: 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. Mendham High School is highly regarded for its college preparation with 92% of students considered college ready based on Advanced Placement (AP) and International Baccalaureate (IB) exam results. It also boasts a 100% graduation rate. The student-teacher ratio is 12:1. Mendham High School offers two highly regarded International Baccalaureate Programs: The Career-related Program and the Diploma Program. In addition, the high school has been recognized as a National Blue Ribbon School.

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. In March 2024, voters in the West Morris Regional High School District approved a $26 million bond referendum to fund school building improvements, which included Mendham High School.

<u>UTILITIES:</u> Water is supplied by New Jersey American Water Company. Sewer services are provided through the Borough's Municipal Sewer Utility since 1965 and operated on a rate payer basis. Treatment is supplied by a modern activated sludge treatment plant of .450 million gallons per day permitted capacity. In 2023 the Utility initiated a $6 million Plant and Collection System Improvement Program which will be completed in 2026. Gas is supplied by Public Service Electric & Gas Company (PSE&G). Electricity is supplied by Jersey Central Power & Light (JCP&L.)

<u>ECONOMIC CONDITION AND OUTLOOK:</u> Mendham Borough has a population of about 5,000. It extends 6.7 square miles, with Mendham Township forming a horseshoe around it. The median household income is $223,750, which is significantly higher than state and national average. Real estate prices have consistently increased, supporting the desirability of the Borough.

MAJOR INITIATIVES:

- **Board of Health**
  - The BOH continued its Shared Services Contract with the Bernards Township Health Department, which has provided public health services to the Borough of Mendham for more than 30 years. The current contract runs through 2030.
  - In 2025, the BOH also renewed its contract with the Community Visiting Nurse Association (CVNA).
  - The Borough remains committed to protecting the health and well-being of its residents and maintains these long-standing partnerships to ensure the delivery of essential public health nursing services.
  - The BOH adopted a new meeting schedule for 2025 changing from monthly to quarterly meetings. This change reflects an effort to streamline operations while continuing to address public health matters effectively.

- **Borough Clerks Office**
  - The Clerk's Office continued final revisions of the mandated decennial recodification of the Borough Code. This comprehensive process involves reviewing, updating, and reorganizing the code to ensure alignment with current state and local laws and practices. Outdated provisions were revised or removed, overlapping regulations clarified, and all legislation adopted over the past decade was reviewed to confirm proper integration. The recodified code has also been streamlined to improve the public's online experience. The revised code is scheduled for Council adoption and publication in Q3 2026.
  - The Acting Clerk successfully passed the New Jersey Registered Municipal Clerk exam in October 2025 and was appointed Borough Clerk at December 10, 2025, Council Meeting.

- **Code Enforcement & Zoning Office**
  - Hired a part time Code Enforcement Official and Zoning Code Officer in November 2025. Previously these duties were handled by the Construction Official.
  - The Code Enforcement Official and Zoning Code Officer also has Building RCS and provisional Building Subcode and Construction Official licenses and will complete the subcode class and construction official classes. He has completed the Building ICS and HHS classes.
  - Processed 138 Zoning applications. 5 Sign Permits and 3 Outdoor Dining Permits.
  - Code enforcement Processed 164 Rental Registrations and Inspection. 2 Vacant Property Registrations.
  - Handled 12 Major Code Violations.
  - Collected 195 Sign Violations.

- **Construction Department**
  - The department hired a full-time certified Technical Assistant to the Construction Official (TACO).
  - The position also acts as Administrative Coordinator for Fire Safety, Zoning and Code Enforcement.
  - The TACO completed the Zoning Administration and Enforcement program.
  - Processed 396 Construction permits, 309 Certificate of Occupancy, and 1350 Technical Inspections.

- **Engineering Office**
    - Borough Engineering Services are provided by Boswell Engineering.
    - The Engineering office continued to support the Borough in its long-term capital plan by:
        - Completing road improvement projects under the NJDOT Local Aid Grant program – Gunther Road (construction), Ironia Road (design and bidding), Talmage Road (grant application)
        - Completing the design of the Mendham Park and Arboretum Path
        - Design and bidding of the Police Station Accessibility Improvement Project under the Community Development Block Grant Program
        - Design, bidding and construction of the Patriot's Path trail project under the Morris County Trail Grant program

- **Finance Department**
    - In 2025, the Borough implemented the updated MSI Blanket Purchase Order System with release order requisitions. This simplifies compliance with purchasing rules that require Purchase Orders to be approved prior to the ordering of goods and services.
    - Bond Anticipation Note issued on 06/02/2025 included an increase of $850,000 per Ordinance 14-2024 to purchase a new fire truck. The old firetruck was at end of life.

- **Fire Department**
    - Since 1905, the all-volunteer Mendham Fire Department has provided fire protection, rescue services, and fire prevention education to the Borough's more than 5,000 residents and visitors. In 2025, the Department celebrated 120 years of dedicated service to the community.
    - The Department maintains an ISO Public Protection Classification rating of 5/9, reflecting its commitment to fire protection and emergency response.
    - The Department responds to an average of more than 250 emergency calls annually.
    - Construction of the Borough's new Ferrara Cinder Custom Rescue Pumper (Model 22) continued throughout 2025. The apparatus will replace two aging vehicles: Engine 2, a 1999 pumper, and Rescue 5, a 2003 rescue truck.
    - Delivery of the new fire apparatus is anticipated in early 2026, enhancing the Department's emergency response capabilities and improving reliability for years to come.

- **Fire Prevention Bureau**
    - Registered five new businesses with the Fire Prevention Bureau and conducted the required inspections and code compliance activities.
    - Investigated two fire incidents and one public complaint.
    - Continued to assist residents with the installation and inspection of smoke alarms and carbon monoxide detectors to promote home safety and code compliance.
    - Worked with the maintenance staff at the Sisters of Christian Charity Legacy House to secure the vacant building and prevent unauthorized public access. Due to the building's deteriorating condition and associated hazards, fire department warning signage was installed to assist emergency responders.
    - Presented a home fire safety program for senior citizens, providing practical information on fire prevention and emergency preparedness.
    - Coordinated with the Mendham Fire Department to host a fire prevention program and fire truck demonstration for children at Hilltop Daycare.
    - Supported the annual Food Truck Festival by coordinating fire safety oversight with a local fire official.

- Assisted the Mendham Township Fire Official and the Morris County Fire Marshal's Office in the investigation of a residential structure fire in Mendham Township.

- **First Aid Squad**
  - Emergency Medical and First Aid services are provided by the all-volunteer Mendham First Aid Squad, which has been serving the Borough of Mendham for over 85 years.
  - The squad operates on a 24x7x365 basis and has an average of 400 calls/runs per year.
  - It has Mutual Aid agreements with Mendham Township, Chester, Bernardsville, and Randolph, as well as emergency dispatch services through Morris County.
  - Mendham First Aid supports the emergency medical needs of residents and visitors alike; provides firefighter safety, rehab and CPR training; and supports local community events.
  - In 2025, the First Aid Squad began training in house for initial CPR, CEVO (driver training) and annual bloodborne and hazmat training in house to improve outcomes and save costs.
  - The squad continued its community-wide education on various health and safety topics, including bleeding control and CPR and AED usage, as well as supporting local scouting organizations in attaining First Aid badges and developing appropriate emergency management skills.

- **Human Resources**
  - Due to a more than 50% increase in State Health Benefits Plan premiums, the Borough evaluated alternative healthcare options and applied for membership in the North New Jersey Health Insurance Fund (NNJHIF). Following its acceptance into the Fund, the Borough elected to transition to this more cost-effective healthcare plan, resulting in significant savings for both employees and the Borough. The new healthcare plan will be implemented in 2026.
  - Human Resources, in partnership with the Morris County Municipal Joint Insurance Fund, continues to strengthen the Borough's cybersecurity program. System-wide updates have been implemented across all Borough facilities to enhance protection against cyber threats, and employees receive ongoing training to recognize and respond to the latest cybersecurity risks.
  - The Personnel Manual was updated to ensure compliance with the requirements of the Morris County Municipal Joint Insurance Fund and to reflect current employment policies and best practices.

- **Municipal Building**
  - The Borough of Mendham received an additional two Historic Preservation grants totaling $428,069 from the Morris County Historic Preservation Trust Fund and the Preserve New Jersey Historic Preservation Trust to continue the restoration of the historic 1810 Phoenix House. The Phoenix House serves as the Borough Municipal Building. The total grant money received for the project YTD is $1,055,628.
  - The interior stabilization and restoration were completed in 2024.
  - The exterior restoration is scheduled for 2026.

- **NJ Clean Communities Program**
  - The Borough was awarded a $14,927.96 grant and continued to sponsor programs with local schools, youth and community groups, and the Borough Summer Day camp.
  - Since 2003 the Borough has received a total of $239,203.92 in grant funding.
  - New Jersey Clean Communities is a statewide litter-abatement program created in 1986. The program sponsors local clean-up and litter abatement events, education programs, and enforcement. The Borough held six children's educational assembly/events, two Borough litter cleanups done by local Girl Scouts and Boy Scout Troops and provided fifteen books to the Mendham Library to help educate our young children on litter abatement.

- **<u>Parks and Open Space</u>**
    - The Architect Design Drawings and Bid documents were completed for the Historic Cary Barn Restoration and Adaptive Reuse Project. Located on Mountainside Road, the barn restoration will create a three-season activity room, a nature center and a viewing platform for residents to enjoy wildlife in the surrounding fields.
    - $129,572 additional grant funds from the Morris County Historic Trust Fund were awarded. The total grant money awarded for the project is $869,589. The project is scheduled for construction in 2026.
    - The Borough was awarded $67,000 2024 State Local Recreational Improvement Grant for improvements to Patriots Path (Mountain Ave to Sewer Plant).
    - The Borough was awarded an $85,000 Local Recreation Improvement Grant for Botti Field Play equipment.
    - The plans for the Borough Arboretum Park Walking Trail were completed with a 2024 $28,000 Morris County Trails Planning Grant Award.

- **<u>Planning and Land Use Office</u>**
    - <u>Historical Preservation Commission:</u>
        - Reviewed and approved 21 applications: 12 Commercial and 9 Residential.
    - <u>Joint Land Use Board:</u>
        - 16 Applications were approved with conditions, 2 Applications were withdrawn, 1 Application was denied and 2 Applications were pending for 2026.
    - <u>State Affordable Housing Program:</u>
        - The Borough completed and adopted it Round Three Housing Element Fair Share Plan (HEFSP)
    - <u>Highlands Council:</u>
        - Completed the Highlands Planning Area Initial Assessment Report for Conforming Area Designation, marking a significant step in the Borough's long-range planning efforts.
        - The Initial Assessment Report was adopted by the Borough Council and submitted to the Highlands Council for Consistency Review. Final approval by the Highlands Council is anticipated in January 2026.
        - The Borough was awarded an $18,000 Planning Grant from the Highlands Council to support the completion of the Initial Assessment Report.

- **<u>Police Department</u>**
    - Five police officers, each with 25 years of dedicated service, retired from the Department in 2025. The Borough Council's Public Safety Committee worked closely with the Public Safety Director and the Acting Captain/Officer in Charge to successfully complete the hiring process and fill each vacant position, ensuring continuity of public safety services.
    - The Police Department strengthened its partnerships with the Borough's school districts. In collaboration with the Mendham Borough School District, the Borough shared the cost of installing a flashing pedestrian crossing sign at the Hilltop School crosswalk to improve student safety.
    - Through a cooperative effort with West Morris Mendham High School, the Police Department restructured its School Resource Officer (SRO) and Special Law Enforcement Officer (SLEO) program. An agreement was reached to maintain consistent SLEO coverage, providing stability while meeting the needs of the school community.
    - The Mendham Borough School District was selected as a pilot school for the Cyber Safe Schools Program through a partnership with the National White Collar Crime Center (NW3C). The program educates students about online safety, cyber threats, and responsible digital citizenship.

- The Department proactively addressed pedestrian and traffic safety challenges resulting from the closure of Interstate 80 during construction. Working collaboratively with concerned residents, the Police Department developed and implemented targeted traffic ordinances to manage increased cut-through traffic and improve safety throughout the Borough.
- Recognizing the growing importance of mental health and community wellness, the Mendham Borough Police Department, in partnership with the Morris County Prosecutor's Office, implemented the ARRIVE Program in June 2025. The program provides outreach and support to individuals experiencing mental health and substance use challenges, resulting in 21 referrals during its first year.

- **Public Works Department**
  - Completed paving two streets, Lowrey and Colville Roads, totaling 3,065 LF with the Annual Street Repaving Program
  - Awarded a $234,567 NJDOT Local Assistance Grant for Gunter Steet improvements and repaving of 2900 LF.
  - The Department which oversees land and buildings managed the installation of an updated HVAC system in the Police Department and the Phoenix House Municipal Building.
  - The department oversaw the stabilization and renovation of the interior of the historic Phoenix House.
  - Finalized signage plan for Main Street and installed new signs.
  - Finalize interlocal agreement with Mendham Township for Street Sweeping.
  - Awarded $15,100 Green Communities grant and implemented the updating of the Community Forestry Management Plan.
  - Implemented new signage plan for the Borough Parking Lots.

- **Recreation Department**
  - The Borough Mayors Historic Committee to assist in planning celebrations for Americas 250th birthday in 2026.
  - The Borough expanded its Annual Mendham Fest held in October. In 2024, Mendham Fest included over 25 local craft vendors, more family-friendly games, and coordinated on marketing with the Annual Harvest Hustle 5k.
  - The Annual Recreation and Community Information Booklet was enhanced and expanded to provide residents with more information. The booklet is mailed to over 2,600 households.
  - Plans were implemented to improve and expand participation in the Mendham Borough Summer Camp. This included: Donations from local businesses to give awards to exemplary counselors, partnering with the Pastime Club to add a field trip for 5th and 6th graders to go bowling, and digitizing camp operations.
  - The Mendham Borough Summer Concert Series was revamped, expanding by obtaining new bands across multiple genres to perform. Additionally, the summer concerts partnered with a local pizzeria, improving the event by adding an on-site dining option for attendees.
  - New programming was also introduced in 2025. This included the addition of two Summer Family Game Nights at Botti Pavilion in July and August, as well as a S’mores Night at Botti Pavilion in October. Both programs further enhanced the use of Botti Pavilion and were well attended by young families in the Borough.
  - The Recreation Committee updated the Borough’s Sports Field and Facilities Policies.

- **Sewer Utility Billing**
  - Implemented an automatic payment option for sewer utility bills, providing residents with a more convenient and secure way to pay their quarterly bills.

- Introduced paperless billing, allowing residents to receive sewer bills by email in place of traditional mailed statements.
- The implementation of automatic payments and electronic billing supports the Borough's commitment to improving customer service while reducing administrative, printing, and mailing costs. The annual cost of printing and mailing paper sewer bills is approximately $10,000.
- The Sewer Utility processes and issues approximately 1,545 sewer bills each quarter, making these enhancements an important step toward greater operational efficiency and long-term cost savings.

- **Stormwater Management Program**
  - 2025 represents the third year of the five-year Tier A MS4 permit that became effective on January 1, 2023.
  - All benchmarks and deadlines have been met to date: No requirements are outstanding throughout the third year of the permit, 2025.
  - The third annual Stormwater Pollution Prevention Plan Update was completed and submitted to the State on June 6, 2025.
  - Completed and received NJDEP approval for the State mandated MS4 Infrastructure Map. The completion of this project released the final disbursement of the NJDEP Municipal Stormwater grant ($10,000). The MS4 Infrastructure map includes all municipally-owned or operated stormwater features and associated attributes, including: MS4 outfalls (receiving surface water name, type of outfall); MS4 ground water discharge points (type); MS4 interconnections (type into/from, entity); Storm drain inlets (type, catch basin present, label present, retrofitted); MS4 manholes; MS4 conveyance (type, direction of flow); MS4 pump stations; stormwater facilities (type); and property boundaries of maintenance yard(s) and other ancillary operations.
  - The Watershed Improvement Plan is a complex three-phase project required under the 2023 MS4 Tier A permit that inventories stormwater features in the municipality, evaluates date to identify potential improvement projects that will address water quality and quantity issues and determines which projects to be implemented. Phase I was completed in 2024.
  - Phase II, the Watershed Assessment Report, began in 2025 and targeted for completion by January 1, 2027. Phase II is a deep dive into the data collected in Phase I to identify improvement projects (with costs) to reduce the TMDLs.
  - All existing requirements carried out of the prior permit have continued without interruption. This includes inspections, maintenance and repair of stormwater infrastructure, best practices for municipal maintenance yards, public education, etc.
  - The expanded employee training implemented for stormwater management has greatly improved the level of awareness and proactive attention to stormwater issues in the Borough.

- **Tax Assessor Office**
  - The Tax Assessment List continues to be made available online creating easier access for residents.
  - In 2025 the office reviewed and processed 130 sale transactions. The continual review of sale transactions ensures the Borough maintains the most accurate assessment ratio possible.
  - Confirmed 61 added assessments based on new construction and renovations.
  - Process 72 Farmland Assessment applicants. These properties account for a total of 865 acres that receive preferential tax treatment due to their farmland assessment. These forms are reviewed closely to ensure that all applicants meet the requirements of the program for this benefit.

- **Tax Collector Office**
  - The Tax Bill was redesigned and included a QR code for a direct on-line payment link.
  - Tax collection maintained a 99.20% collection rate.

- **<u>Tree City USA</u>**
    - The Borough has been designated as a Tree City USA community since 2013--12 years.
    - 28 street trees were planted.
    - Over 303 street trees have been planted under the program.

- **<u>Water Reclamation Department (Sewer)</u>**
    - The Borough received a NJ Infrastructure Bank Loan of $6,000,000 in 2022 to improve the Water Reclamation Plant and Collection System.
    - Plant improvements were started in 2024 and were completed in 2025 and included:
        - o <u>The Grit House:</u> A new more efficient stainless-steel system and redundant heating system were installed in the Plant Grit House.
        - o <u>Administration Building:</u> A new MCC was installed to replace the old 1963 MCC reding the possibility of failure and disruption to operations.
        - o <u>Polishing Lagoon:</u> The Lagoons were dewatered and removed from the treatment works process due to plant improvements that resulted in this process no longer being needed.
    - Annual Collection System Maintenance Program
        - o <u>Phase 2, Basin 1:</u> CCTV inspections of high infiltration areas were performed on areas that were discovered during Phase 1 I-tracker flow monitoring. This data will be used to determine what repairs need to be made to Basin 1 in 2026
        - o <u>Phase 1, Basin 2:</u> NASSCO Level 2 inspection of 137 manholes using 360-degree viewing platform was completed. NASSCO certified team members perform defect coding and assemble the NASSCO-compliant MACP Database. It included the use of 24 I-tracker flow level monitoring used to compare flow levels during wet weather events compared to dry weather periods to identify areas of greatest concern for I&I. The data collected will be used in 2026 to determine what sections of Basin 2 need closer inspection and maintenance.

<u>INTERNAL ACCOUNTING CONTROLS</u>: 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.

<u>BUDGETARY CONTROLS</u>: 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.

<u>ACCOUNTING SYSTEM AND REPORTS:</u> The Borough's accounting records reflect regulatory 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, 2025, the Borough has temporary debt of $1,405,392 in the form of bond anticipation notes. The Borough also has $2,238,447 in a permanent loan and $3,366,918 in a temporary note from the NJ I-Bank Program. In addition, the Borough has unissued capital debt of $874,860 in the Sewer Capital Fund, of which the Borough plans to be issued as loans through the NJ I-Bank Program.

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, 2025, and the amount and percentage of increases or decreases in relation to prior year revenue.

Revenue	Amount	Percent of Total	Increase/ (Decrease) from 2024	Percent of Increase/ (Decrease)
Fund Balance Anticipated	$ 1,997,756	5.11%	$ 148,144	8.01%
Sewer Rents	1,661,452	4.25%	70,576	4.44%
Miscellaneous Revenue	1,376,143	3.52%	(1,689)	-0.12%
Receipts from Delinquent Taxes	241,285	0.62%	37,129	18.19%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	7,595,412	19.44%	241,359	3.28%
Municipal Budget Totals-Revenue	12,872,048	32.95%	495,519	4.00%
Nonbudget Revenue	547,134	1.40%	109,368	24.98%
Other Credits to Income	726,647	1.86%	(206,509)	-22.13%
Taxes Allocated to Schools, County and Open Space Trust	24,924,764	63.79%	704,779	2.91%
Total	$ 39,070,593	100.00%	$ 1,103,157	2.91%

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 anticipated increased while still 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 realized is primarily attributable to an increase in fund balance anticipated, local property taxes and sewer rents 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, 2025 and the percentage of increases or decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/(Decrease) from 2024	Percent of Increase/ (Decrease)
Current:				
General Government	$ 3,559,892	9.67%	$ 186,078	5.52%
Public Safety	2,918,136	7.93%	313,910	12.05%
Streets and Roads	1,101,186	2.99%	17,856	1.65%
Health and Welfare	114,681	0.31%	6,419	5.93%
Recreation and Education	120,090	0.33%	12,406	11.52%
Deferred Charges and Statutory Expenditures	1,154,209	3.14%	101,494	9.64%
Utility Operating	1,708,815	4.64%	55,302	3.34%
Capital		0.00%	(183,500)	-100.00%
Debt Service:				
Principal	139,691	0.38%	34,502	32.80%
Interest	73,706	0.20%	(4,716)	-6.01%
Reserve for Uncollected Taxes	775,905	2.11%	15,200	2.00%
Municipal Budget Totals-Expenditures	11,666,311	31.70%	554,951	4.99%
County Taxes	3,827,534	10.40%	30,033	0.79%
Local and Regional School Taxes	20,987,073	57.03%	674,574	3.32%
Municipal Open Space Taxes	110,157	0.30%	172	0.16%
Other Expenditures	211,597	0.57%	187,646	783.46%
Total	$ 36,802,672	100.00%	$ 1,447,376	4.09%

The primary reasons for the increase in expenditures were the increases in public safety expenditures, school taxes and statutory expenditures; offset by a decrease in capital expenditures.

<u>OTHER INFORMATION:</u> 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 25-12. The auditors' report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

<u>ACKNOWLEDGMENTS:</u> 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

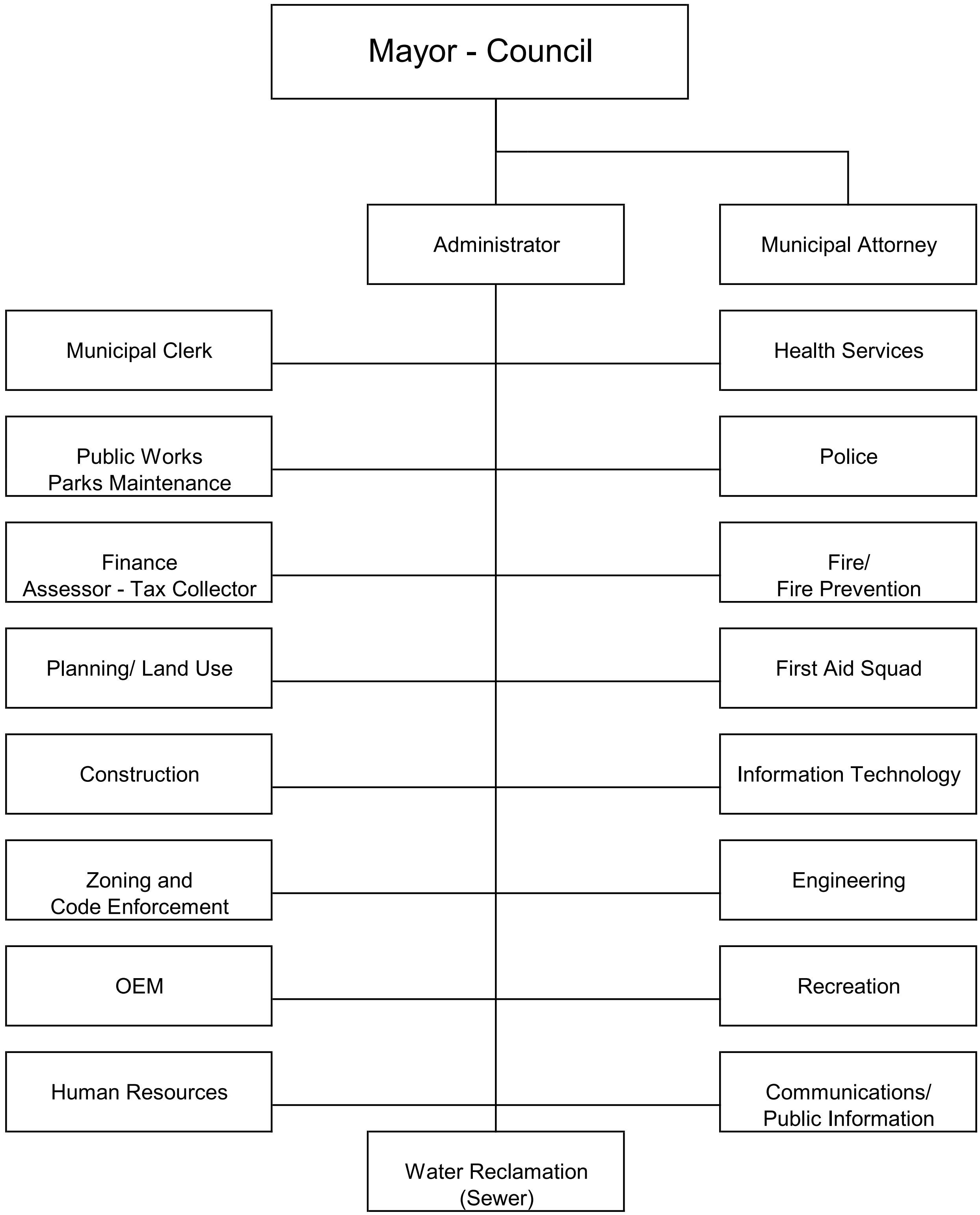
Joyce Bushman
Borough Administrator

Erick Mesias

Erick Mesias
Chief Financial Officer

BOROUGH OF MENDHAM

ORGANIZATIONAL CHART



BOROUGH OF MENDHAM
ROSTER OF OFFICIALS

Elected Officials

Mayor	James R. Kelly
Council President	Marilyn Althoff
Council Member	Neil Sullivan
Council Member	William Russo
Council Member	Alexandra Henry Traut
Council Member	Bruce LaFera
Council Member	Matthew Bruin

Appointed Officials

Administrator	Joyce Bushman
Municipal Clerk	Lauren McBride
Tax Collector/Tax Search Officer/ Public Utililies Clerk	Judi O'Brien
Treasurer/Chief Financial Officer	Erick Mesias
Tax Assessor	Scott J. Holzhauer
Magistrate	Maryann McCoy
Court Administrator/Violations Clerk	Erin Geiger
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-Private Bank
Wells Fargo Bank
Bank of America
Provident Bank

FINANCIAL SECTION

NISIVOCCIA
ASSURANCE · TAX · ADVISORY

Mount Arlington, NJ
Bridgewater, NJ
973.298.8500
nisivoccia.com
Independent Member
BKR International

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Borough of Mendham, in the County of Morris (the "Borough") as of and for the year ended December 31, 2025 and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinions 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 and account group of the Borough as of December 31, 2025, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, 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, 2025 or the changes in financial position or where applicable, cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group that collectively comprise the Borough's financial statements. The combining and individual fund and account group statements and 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 25-12, *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 combining and individual fund and account group statements and 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditors' report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2026 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.

Mount Arlington, New Jersey
May 27, 2026

NISIVOCCIA LLP

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, 2025

(With Comparative Totals for 2024)

ASSETS AND OTHER DEBITS:				Utility Funds		Account Group	Totals (Memorandum Only)	
	Current Fund	General Capital Fund	Trust Fund	Operating	Capital	General Fixed Assets	2025	2024
Assets:								
Cash and Cash Equivalents	$ 6,764,600	$ 68,574	$ 1,292,932	$ 1,232,955	$ 678,138		$ 10,037,199	$ 10,276,597
Investments	214,772						214,772	292,638
Receivables and Other Assets:								
Property Taxes Receivable	234,383						234,383	242,392
Consumer Accounts Receivable				218,420			218,420	255,886
Federal and State Receivables	172,988	780,250		978			954,216	932,318
Interfund Receivables	211,170		38,128	5,928			255,226	81,105
Other Receivables	115,014	296,717					411,731	405,540
Property Acquired for Taxes at Assessed Valuation	2,900						2,900	2,900
Fixed Assets in General Fixed Assets Account Group						$ 13,697,489	13,697,489	12,128,162
Total Assets	7,715,827	1,145,541	1,331,060	1,458,281	678,138	13,697,489	26,026,336	24,617,538
Other Debits:								
Deferred Charges:								
Emergency Authorizations	119,606						119,606	
Deferred Charges to Future Taxation		1,405,392					1,405,392	1,493,218
Fixed Capital					21,977,077		21,977,077	21,977,077
Total Other Debits	119,606	1,405,392			21,977,077		23,502,075	23,470,295
Total Assets and Other Debits	$ 7,835,433	$ 2,550,933	$ 1,331,060	$ 1,458,281	$ 22,655,215	$ 13,697,489	$ 49,528,411	$ 48,087,833
LIABILITIES, RESERVES AND FUND BALANCE:								
Appropriation Reserves	$ 1,205,854			$ 389,639			$ 1,595,493	$ 1,522,506
Improvement Authorizations		$ 929,277			$ 1,297,984		2,227,261	4,894,615
Payroll Deductions And Withholdings			$ 9,308				9,308	9,308
Accounts Payable - Vendors	341,739	16,015		70,500			428,254	387,308
Interfund Payables	45,361	142,059			67,806		255,226	81,105
Reserves for Amortization					15,496,852		15,496,852	15,444,987
Various Liabilities and Reserves	1,267,753	56,771	1,321,752	28,867	50,208	$ 13,697,489	16,422,840	14,937,846
Serial Bonds, Bond Anticipation Notes and Loans Payable		1,405,392			5,605,365		7,010,757	5,282,102
Reserve for Receivables and Other Assets	563,467			219,398	1,336		784,201	619,608
Fund Balance	4,411,259	1,419		749,877	135,664		5,298,219	4,908,448
Total Liabilities, Reserves and Fund Balances	$ 7,835,433	$ 2,550,933	$ 1,331,060	$ 1,458,281	$ 22,655,215	$ 13,697,489	$ 49,528,411	$ 48,087,833

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, 2025

	Current Fund			Utility Operating Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	$ 1,700,229	$ 1,700,229		$ 297,527	$ 297,527	
Sewer Rents				1,584,670	1,661,452	$ 76,782
Miscellaneous Revenue	879,304	1,294,283	$ 414,979	19,000	81,860	62,860
Receipts from Delinquent Taxes	63,575	241,285	177,710			
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	7,003,843	7,595,412	591,569			
Municipal Budget Totals - Revenue	9,646,951	10,831,209	1,184,258	1,901,197	2,040,839	139,642
Non-budget Revenues		547,134	547,134			
Other Credits to Income		489,150	489,150		237,497	237,497
Taxes Allocated to Schools, County and Open Space	24,924,764	24,924,764				
TOTAL REVENUES	34,571,715	36,792,257	2,220,542	1,901,197	2,278,336	377,139
EXPENDITURES:						
Current:						
General Government	3,559,892	3,559,892				
Public Safety	2,918,136	2,918,136				
Streets and Roads	1,101,186	1,101,186				
Health and Welfare	114,681	114,681				
Recreation and Education	120,090	120,090				
Deferred Charges and Statutory Expenditures	1,067,367	1,067,367		86,842	86,842	
Utility Operating				1,708,815	1,708,815	
Debt Service:						
Principal	87,900	87,826	74	51,865	51,865	
Interest	21,400	21,332	68	53,675	52,374	1,301
Reserve for Uncollected Taxes	775,905	775,905				
Municipal Budget Totals - Expenditures	9,766,557	9,766,415	142	1,901,197	1,899,896	1,301
County Taxes	3,827,534	3,827,534				
Local and Regional School Taxes	20,987,073	20,987,073				
Municipal Open Space Taxes	110,157	110,157				
Other Expenditures		211,597	(211,597)			
TOTAL EXPENDITURES	34,691,321	34,902,776	(211,455)	$ 1,901,197	1,899,896	1,301
Emergency	$ (119,606)					
Excess/(Deficit) of Revenues over Expenditures		1,889,481	$ 2,009,087		378,440	$ 378,440
Adjustments Before Excess to Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year		119,606			-0-	
Stautory Excess to Fund Balance		2,009,087			378,440	
Fund Balances January 1, 2025		4,102,401			668,964	
Less: Utilized as Anticipated Revenue		1,700,229			297,527	
Fund Balances December 31, 2025		$ 4,411,259			$ 749,877	

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

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.

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 - 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.

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, lease assets and payable as well as the related expense would be recorded for leases for which the Borough is a lessee, lease receivables and deferred lease resources as well as the related revenue would be recorded for leases for which the Borough is a lessor, a financed purchases payable would be recorded for financed purchases agreements under which the Borough acquires and owns a fixed asset 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, by selling bonds, by loans, or by financed purchases agreements.

E. Other significant accounting policies include:

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

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

Investments – Investments, 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.

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 Account Group – 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 General 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.

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
YEAR ENDED DECEMBER 31, 2025
(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, 2025, cash and cash equivalents and investments of the Borough consisted of the following:

Fund	Cash on Hand	Money Market	Investment	Checking Accounts	Total
Current	$ 230	$ 1,559,616	$ 214,772	$ 5,204,754	$ 6,979,372
General Capital		16,279		52,295	68,574
Trust and Agency				1,292,932	1,292,932
Utility Operating	100	159,451		1,073,404	1,232,955
Utility Capital		28		678,110	678,138
	$ 330	$ 1,735,374	$ 214,772	$ 8,301,495	$ 10,251,971

The carrying amount of the Borough's cash and cash equivalents and investments at year end was $10,251,971 and the bank balance was $10,464,140. During 2025, the Borough invested funds by purchasing Bond Anticipation Notes from its own General Capital Fund. There was an investment of $214,772 from the Current Fund in Bond Anticipation Notes issued by the Borough's General Capital Fund at 1.00% interest due on June 26, 2026.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2025:

Fund	Interfund Receivable	Interfund Payable
Current Fund	$ 211,170	$ 44,056
Federal and State Grant Fund		1,305
General Capital Fund		142,059
Other Trust Funds	38,128	
Sewer Utility Operating Fund	5,928	
Sewer Utility Capital Fund		67,806
	$ 255,226	$ 255,226

The primary interfund activity for 2025 was due to interfund activity between the Current Fund and Federal and State Grant Fund is for monies received in the Federal and State Grant Fund due to the Current Fund that were not liquidated. The interfund between Current Fund and General Capital Fund is for interfunds advanced and not returned by year end. The interfund between Current Fund and Sewer Utility Capital Fund is for interfunds advanced and not returned by year end. The interfund between Other Trust Funds and Current Fund is for prior year interfunds not liquidated. The interfund between Sewer Utility Operating Fund and Sewer Utility Capital Fund is for interfunds advanced and not returned by year end.

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

	December 31, 2025	December 31, 2024	December 31, 2023
Issued			
General:			
Bonds, Loans and Notes	$ 1,405,392	$ 643,218	$ 730,497
Sewer Utility:			
Bonds, Loans and Notes	5,605,365	4,638,884	2,652,215
Total Issued	7,010,757	5,282,102	3,382,712
Authorized but not Issued:			
General		850,000	957,881
Sewer Utility	874,860	1,893,206	3,897,785
Total Authorized but not Issued	874,860	2,743,206	4,855,666
Less: Reserve to Pay Debt Service			
General	30,641	30,641	30,641
Sewer Utility	1,336	1,336	1,336
Total Reserve to Pay Debt Service	31,977	31,977	31,977
Net Bonds, Notes and Loans Issued and Authorized but not Issued	$ 7,853,640	$ 7,993,331	$ 8,206,401

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(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 Annual Debt Statement and indicates a statutory net debt of .084%.

	Gross Debt	Deductions	Net Debt
Local and Regional School District Debt	$ 23,236,747	$ 23,236,747	
Sewer Utility Debt	6,480,225	6,480,225	
General Debt	1,405,392	30,641	$ 1,374,751
	$ 31,122,364	$ 29,747,613	$ 1,374,751

Net Debt $1,374,751 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, $1,631,555,371 = .084%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended	
3-1/2% Average Equalized Valuation of Real Property	$ 57,104,438
Net Debt	1,374,751
Remaining Borrowing Power	$ 55,729,687

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45	
Cash Receipts from Fees, Rents or Other Charges for Year	$ 2,040,839
Deductions:	
Operating, Maintenance and Debt Service Costs	1,899,896
Excess in Revenue	$ 140,943

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

Schedule of Changes in Debt Issued

	Balance 12/31/2024	Additions	Defeased/ Retirements	Balance 12/31/2025
General Capital Fund:				
Bond Anticipation Notes	$ 643,218	$ 1,405,392	$ 643,218	$ 1,405,392
Sewer Utility Capital Fund:				
NJ I-Bank Note	2,348,572	1,018,346		3,366,918
NJ I-Bank Loan	2,290,312		51,865	2,238,447
Total	$ 5,282,102	$ 2,423,738	$ 695,083	$ 7,010,757

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

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

The Borough had the following outstanding debt at December 31, 2025.

Schedule of General Capital Bond Anticipation Notes

Purpose	Date of Original Note	Date of Maturity	Interest Rate	Balance Dec. 31, 2025
Various Improvements	7/3/2019	6/26/2026	1.00%	$ 23,342
Various Improvements	5/8/2019	6/26/2026	1.00%	99,473
Acquisition of Equipment	9/4/2020	6/26/2026	3.75%	340,620
Acquisition of Equipment	7/2/2021	6/26/2026	1.00%	91,957
Various Improvements	6/26/2025	6/26/2026	3.75%	850,000
				$ 1,405,392

Sewer Utility Capital NJ I-Bank Loans

Description	Date of Final Maturity	Interest Rate	Balance Dec. 31, 2025
Wastewater Treatment Plant Upgrades:			
Trust Loan	08/01/53	3-5%	$ 1,486,232
Fund Loan	08/01/53	0%	752,215
			$ 2,238,447

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Loans Issued and Outstanding

Calendar Year	Sewer Utility Capital Principal	Interest	Total
2026	$ 56,865	$ 52,026	$ 108,891
2027	56,865	50,526	107,391
2028	56,865	49,027	105,892
2029	56,865	47,527	104,392
2030	56,865	46,026	102,891
2031-2035	339,323	202,632	541,955
2036-2040	389,179	156,381	545,560
2041-2045	431,085	115,476	546,561
2046-2050	481,959	67,352	549,311
2051-2053	312,576	14,161	326,737
	$ 2,238,447	$ 801,134	$ 3,039,581

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

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

NJ I-Bank Loans

On September 23, 2019, the Borough of Mendham entered into a NJ I- Bank Financing Program loan agreement with the State of New Jersey, acting by and through the NJ Department of Environmental Protection. The Fund loan portion is $752,215 and the Trust loan portion is $1,486,232. The aggregate amount of $2,238,447 represents direct obligations of the Borough. The loan proceeds were obtained to finance a portion of the cost of a wastewater system improvement project. At December 31, 2025, the Borough had borrowed or "drawn down" $2,290,312 for this project. The loan balance as of the end of the year is $2,238,447. The second part of the project is currently being financed by a New Jersey I-Bank Note of $3,366,918 at December 31, 2025.

Principal payments to the Fund commenced August 1, 2024 and will continue on a semiannual basis over 30 years at zero interest. Principal payments to the Trust will commence August 1, 2025 and will continue on an annual basis over 29 years at 3.03% - 5.00% interest. It is expected that interest will be paid from trust bond proceeds on deposit in the capitalized interest account (as defined in the bond resolution), and earnings on the debt service reserve fund (as defined in the bond resolution) will be transferred to such capitalized interest account. The Borough will nonetheless be responsible for all such interest payments to the extent such trust bond proceeds and interest earnings are not available from the capitalized interest account. Also, an annual administrative fee of up to two percent (2.0%) of the initial principal amount of the loan or such lesser amount, if any, as may be authorized by any act of the NJ State Legislature and as the State may approve from time to time is payable on this loan.

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.nj.gov/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:

Tier	Definition
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

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 employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024, the State's pension contribution was more than the actuarially determined amount.

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 were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being 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 is adjusted by the rate of return on the actuarial value of assets.

Borough contributions to PERS amounted to $271,565 for 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed $8,743 to the PERS for normal pension expense on behalf of the Borough.

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

Special Funding Situation

Under N.J.SA. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the 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 the legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows of resources to report in the financial statements of the local participating employers related to the legislation.

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

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. In addition, each local participating employer must recognize pension expense associated with the employers in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Pension Liabilities and Pension Expense

At June 30, 2024, the Borough's liability was $2,711,806 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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, 2024, the Borough's proportion was 0.020%, which was an increase of 0.004% from its proportion measured as of June 30, 2023. The Borough has rolled forward the net pension liability as of June 30, 2024 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2024.

For the year ended December 31, 2025, the Borough recognized actual pension expense in the amount of $271,565.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(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, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining 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, 2024 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, 2024	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	$ 3,603,324	$ 2,711,806	$ 1,953,130

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.nj.gov/treasury/pensions/annual-reports.shtml.

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:

Tier	Definition
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 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. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2024, the State contributed an amount more than the actuarially determined amount.

The Local Group 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 employers in the Local Group of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being 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 is adjusted by the rate of return on the actuarial value of the assets.

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 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 pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Borough contributions to PFRS amounted to $561,678 for the year ended December 31, 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed $95,103 to the PFRS for normal pension expense on behalf of the Borough, which is the same as the contractually required contribution of $95,103.

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

Pension Liabilities and Pension Expense

At June 30, 2024, the Borough's liability for its proportionate share of the net pension liability was $4,193,218. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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, 2024, the Borough's proportion was 0.041%, which was an increase of 0.0004% from its proportion measured as of June 30, 2023. The Borough has rolled forward the net pension liability as of June 30, 2024 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 and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

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 \$826,684 as of June 30, 2024. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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, 2024, the State's proportion was 0.041%, which was an increase of 0.004% from its proportion measured as of June 30, 2023 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	$	4,193,218
State's Proportionate Share of the Net Pension Liability Associated with the Borough		826,684
Total Net Pension Liability	$	5,019,902

For the year ended December 31, 2025, the Borough recognized pension expense of \$561,678.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
All future years	3.25 – 16.25% based on years of service
Investment Rate of Return	7.00%

Employee mortality rates were based on the Pub-2010 Safety Employee amount-weighted mortality table (sex specific) projected generationally from 2010 with Scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pub-2010 Safety Retiree Below Median amount-weighted mortality table (sex-specific), projected generationally from 2010 with Scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Disabled Retiree amount-weighted mortality table for males and 100% of the Pub-2010 Safety Disabled Retiree amount-weighted mortality table for females, projected generationally from 2010 with Scale MP-2021 mortality projection.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (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, 2024) is determined by the State Treasurer, after consultation with the PFRS Board of Trustees, 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 rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
Non-U.S. Developed Large-Cap Equity	9.50%	6.70%
Non-U.S. Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the employers in the State Group and 100% of actuarially determined contributions for the employers in the Local Group. 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 in determining the total pension liability.

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, 2024 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, 2024	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	$ 7,172,323	$ 5,019,902	$ 3,227,407

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 recognized pension expense of $7,010 for the year ended December 31, 2025. Employee contributions to DCRP amounted to $9,520 for the year ended December 31, 2025.

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.nj.gov./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, 2025
(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.

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, 2023 through June 30, 2024. 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, 2024 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, 2024 OPEB information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this report.

The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024.

At June 30, 2024, the Borough had a liability of $7,537,118 for its proportionate share of the net OPEB liability. At June 30, 2024, the Borough's proportion was .042% which was a decrease of .005% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024 the Borough's OPEB benefit as determined by the State of New Jersey Division of Pensions and Benefits was $45,971.

The Borough's actual post retirement payments in 2025 for 8 retiree employees were $76,337.92.

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.

Salary Increases*:	
Public Employees' Retirement System (PERS)	
Rate for all future years	2.75% to 6.55% based on years of service
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 16.25% based on years of service

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

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

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

Pre-Retirement Healthy Mortality

Pre-retirement mortality rates for PERS were based on the PUB-2010 General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Preretirement mortality rates for PFRS were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Post-Retirement Healthy Mortality

Post-retirement mortality rates for Chapter 330 retirees were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates for other retirees is based on the PUB-2010 General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disabled Retiree Mortality

Disabled retiree mortality rates for PERS future disabled retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for PFRS future disabled retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disabled retiree mortality rates for Chapter 330 current retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for other current retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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 7.50% and decreases to a 4.50% long term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend rate is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long term rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

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, 2024 was 3.93%. This represents the municipal bond return 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, 2024, 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, 2024		
	At 1% Decrease (2.93%)	At Discount Rate (3.93%)	At 1% Increase (4.93%)
Net OPEB Liability Attributable to the Borough	$ 8,779,930	$ 7,537,118	$ 6,541,736

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, 2024, 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, 2024		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Borough	$ 6,374,864	$ 7,537,118	$ 9,031,451

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 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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 8: Selected Tax Information (Cont'd)

The first half estimated taxes are divided into two due dates, February 1 and April 27. 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.

	2025	2024	2023
Tax Rate	$ 2.526	$ 2.460	$ 2.454
Apportionment of Tax Rate			
Municipal	.554	.543	.532
County	.303	.301	.287
Local School	1.008	.959	.971
Regional High School	.653	.649	.656
Municipal Open Space	.008	.008	.008
Assessed Valuations			
2025	$ 1,263,882,977		
2024		$ 1,264,043,370	
2023			$ 1,263,270,524

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.

		Currently	
Year	Tax Levy	Cash Collections	Percentage of Collection
2025	$ 31,998,298	$ 31,744,271	99.20%
2024	31,114,934	30,813,333	99.03%
2023	31,100,066	30,853,825	99.20%

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 below.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(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.

The December 31, 2025 audit report for the fund is not filed as of the date of the audit. Selected, summarized financial information for the Fund as of December 31, 2024 is as follows:

Total Assets	$ 41,731,805
Net Position	$ 14,656,747
Total Revenue	$ 27,339,632
Total Expenses	$ 26,449,607
Change in Net Position	$ 623,483
Member Dividends	$ 266,542

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. 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 is on the following page.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

Fiscal Year	Borough Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2025	$ 12,000	$ 6,445	$ 2,412	$ 17,054	$ 73,469
2024	12,000	2,668	3,070	25,543	69,666
2023	14,000	8,911	2,802	12,608	77,471

Note 10: Fund Balances Appropriated

Fund balances as December 31, 2025, which have been appropriated and included as anticipated revenue for the year ending December 31, 2026 are $2,125,010 for the Current Fund and $463,154 for the Sewer Utility Operating Fund.

Note 11: Fixed Assets

The following schedule is a summarization of general fixed assets for the year ended December 31, 2025:

	Balance Dec. 31, 2024	Additions	Deletions	Balance Dec. 31, 2025
Land	$ 1,767,500			$ 1,767,500
Buildings and Building Improvements	3,855,915			3,855,915
Machinery and Equipment	6,504,747	$ 1,633,102	$ (63,775)	8,074,074
	$ 12,128,162	$ 1,633,102	$ (63,775)	$ 13,697,489

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, 2025 in the amount of $256,176. 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, 2025.

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

Note 12: Commitments and Contingencies (Cont'd)

Claims and Other Legal Proceedings (Cont'd)

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 $384,887.

Note 13: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2025, consisted of the following:

Litigation	$ 256,176
Unappropriated Reserves	24,931
Sale of Municipal Assets	275,537
Pending Tax Appeals	384,887
	$ 941,531

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, 2025 was $313,349.

Note 16: Leases

The Borough entered into a lease agreement on July 1, 1988 for the lease of Borough property to the Mendham Area Senior Housing Corporation for the construction and operation of senior-citizen housing and related purposes for an initial term of 50 years. The lessee has the right to renew the lease for an additional 16 year term. The initial annual lease payment was $9,240 and the annual lease payment for the remaining years can be adjusted upward at the discretion of the Borough each year in the same proportional amount as any increase of the municipal real estate tax rate, with a maximum increase of 5% in any one year. The Borough received $9,240 for this agreement in 2025.

The Borough entered into a lease agreement on July 15, 2019 for the lease of Borough property to the Mendham Cooperative Nursery School for the operation of a childcare center and other approved community activities for an initial term of 5 years. The lease was renewed for an additional 5 year term. The initial monthly lease payment was $700 and the monthly lease payment for the remaining years in the initial lease term will be increased by 3% each year. The Borough received $17,200 for this agreement in 2025.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 17: Financed Purchases Agreements

The Borough has one financed purchases agreement for 1 police vehicle. The finance purchases agreement is for 5 years and the last payment on the agreement is in 2029. The total payments on the financed purchases agreement in 2025 was $13,709.91. Remaining payments on the agreement through 2029 are $54,839.64.

Note 18: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of the succeeding years. At December 31, 2025, the Borough had the following deferred charge:

	Balance Dec. 31, 2025	Required 2026 Budget Appropriation
Current Fund:		
Emergency Authorization	$ 119,606	$ 119,606

The appropriation in the 2026 budget is not less than that required by statute.

Note 19: Subsequent Event

On May 12, 2026, the Borough of Mendham entered into a New Jersey Infrastructure Bank Financing Program loan agreement with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection. The Sewer Utility Capital Fund borrowed $3,352,413 from the program. The amount borrowed from the Trust Loan was $1,635,000 at an interest rate of 5% and the amount borrowed from the Fund Loan was $1,717,413 at an interest rate of 0%. The loan will mature on August 1, 2055.

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
2025
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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BOROUGH OF MENDHAM
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31, 2025	December 31, 2024
ASSETS		
Regular Fund:		
Cash and Cash Equivalents	$ 6,685,963	$ 6,612,945
Investments	214,772	292,638
Change Fund	230	230
	6,900,965	6,905,813
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	20,471	20,721
	6,921,436	6,926,534
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	234,383	242,392
Tax Title Liens Receivable	49,971	45,664
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	2,804	3,912
Grants Receivable	62,239	67,068
Interfunds Receivable	211,170	808
Total Receivables and Other Assets with Full Reserves	563,467	362,744
Deferred Charges:		
Emergency Authorization	119,606	
Total Deferred Charges	119,606	
Total Regular Fund	7,604,509	7,289,278
Federal and State Grant Fund:		
Cash and Cash Equivalents	78,407	43,921
Grants Receivable	152,517	17,157
Interfunds Receivable		37,780
Total Federal and State Grant Fund	230,924	98,858
TOTAL ASSETS	$ 7,835,433	$ 7,388,136
LIABILITIES, RESERVES AND FUND BALANCE		
Regular Fund:		
Appropriation Reserves:		
Encumbered	$ 326,738	$ 135,855
Unencumbered	649,497	992,174
Total Appropriation Reserves	976,235	1,128,029
Prepaid Taxes	320,119	306,830
Tax Overpayments		3,573
Accounts Payable - Vendors	341,739	301,554
Other Liabilities	6,103	6,103
Interfund Payable	44,056	39,229
Other Reserves	941,531	1,038,815
	2,629,783	2,824,133
Reserve for Receivables and Other Assets	563,467	362,744
Fund Balance	4,411,259	4,102,401
Total Regular Fund	7,604,509	7,289,278
Federal and State Grant Fund:		
Appropriated Reserves	228,619	56,764
Unappropriated Reserves		39,086
Encumbrances Payable	1,000	2,200
Interfunds Payable	1,305	808
Total Federal and State Grant Fund	230,924	98,858
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	$ 7,835,433	$ 7,388,136

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

	Year Ended December 31, 2025	2024
Revenue and Other Income Realized		
Fund Balance Utilized	$ 1,700,229	$ 1,570,745
Miscellaneous Revenue Anticipated	1,294,283	1,292,593
Receipts from:		
Delinquent Taxes	241,285	204,156
Current Taxes	31,744,271	30,813,333
Nonbudget Revenue	547,134	437,766
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	488,342	679,383
Other Credits	808	302
Total Income	36,016,352	34,998,278
Expenditures		
Budget Appropriations - Municipal Purposes	8,990,510	8,494,517
County Taxes	3,827,534	3,797,501
Local School District Taxes	12,739,742	12,111,554
Regional School Taxes	8,247,331	8,200,945
Municipal Open Space Tax	110,157	109,985
Refund of Prior Year Revenue	427	23,143
Interfunds Advanced	211,170	808
Total Expenditures	34,126,871	32,738,453
Excess in Revenue	1,889,481	2,259,825
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	119,606	
Statutory Excess to Fund Balance	2,009,087	2,259,825
Fund Balance		
Balance January 1	4,102,401	3,413,321
	6,111,488	5,673,146
Decreased by:		
Utilized as Anticipated Revenue	1,700,229	1,570,745
Balance December 31	$ 4,411,259	$ 4,102,401

BOROUGH OF MENDHAM
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2025

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	$ 1,700,229		$ 1,700,229	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		7,876	$ 1,576
Interest and Costs on Taxes	21,000		64,803	43,803
Interest on Investments and Deposits	17,500		311,284	293,784
Energy Receipts Tax	507,123		507,123	
Uniform Construction Code Fees	120,000		195,816	75,816
Public and Private Revenue Offset with Appropriations:				
Clean Communities Program	10,000	$ 4,928	14,928	
Body Armor Fund	1,305		1,305	
Recycling Tonnage	5,051		5,051	
Recycling Tonnage - Reserve	37,096		37,096	
Alcohol Education & Rehab Grant - Reserve	684		684	
Historic Trust		148,317	148,317	
Total Miscellaneous Revenue	726,059	153,245	1,294,283	414,979
Receipts from Delinquent Taxes	63,575		241,285	177,710
Amount to be Raised by Taxes for Support of Municipal Budget	7,003,843		7,595,412	591,569
Budget Totals	9,493,706	153,245	10,831,209	$ 1,184,258
Nonbudget Revenue			547,134	
	$ 9,493,706	$ 153,245	$ 11,378,343	

BOROUGH OF MENDHAM
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2025
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Collection of Current Taxes	$ 31,744,271
Allocated to:	
School, County, and Open Space Taxes	24,924,764
	6,819,507
Add: Appropriation "Reserve for Uncollected Taxes"	775,905
Realized for Support of Municipal Budget	$ 7,595,412

Analysis of Delinquent Tax Collections

Delinquent Taxes	$ 241,285
	$ 241,285

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:	
Fees and Permits	$ 13,273
Police	4,803
Insurance Refunds	10,655
Special Duty	31,799
Code Enforcement	27,320
Planning Board	44,845
Board of Health	8,850
Municipal Court Fines and Costs	26,704
Rents on Borough-Owned Properties	26,440
Cable Television Franchise Fees	70,869
Lot grad/soil erosion (LDP)	2,800
Equipment	5,600
High School Resource Officer Reimbursement	160,649
State of New Jersey-Veteran and Senior Citizen 2% Administrative Fee	398
Fire Prevention/Alarm Fees	19,879
Refund of Prior Year Expenditures - Body Worn Camera Grant	16,366
Body Worn Camera Grant Receivable	4,829
Miscellaneous	3,249
	479,328
Due from Sewer Capital Fund - Refund of Prior Year Expenditures	67,806
	$ 547,134

BOROUGH OF MENDHAM
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended By		Un-expended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Within "Caps":					
General Government:					
General Administration:					
Salaries and Wages	$ 136,623	$ 136,623	$ 119,302	$ 17,321	
Other Expenses	23,900	23,900	12,226	11,674	
Organization Contributions:					
Other Expenses	3,600	3,600	175	3,425	
Purchasing:					
Salaries and Wages	16,000	16,000	8,071	7,929	
Other Expenses	5,750	5,750	1,382	4,368	
Human Resources - Personnel & Payroll:					
Salaries and Wages	62,253	62,253	62,252	1	
Other Expenses	36,550	36,550	30,127	6,423	
Mayor and Council:					
Salaries and Wages	37,500	37,500	36,813	687	
Other Expenses	11,500	11,500	7,872	3,628	
Municipal Clerk:					
Salaries and Wages	59,650	59,650	59,034	616	
Other Expenses	24,250	25,650	20,699	4,951	
Financial Administration:					
Salaries and Wages	98,498	98,498	98,361	137	
Other Expenses	30,457	30,457	29,030	1,427	
Annual Audit	42,241	42,241		42,241	
Computerized Data Processing	118,949	118,949	114,962	3,987	
Tax Assessment Administration:					
Salaries and Wages	56,648	56,648	56,648		
Other Expenses	19,000	19,000	9,741	9,259	
Revenue Administration (Tax Collection):					
Salaries and Wages	18,386	21,386	21,036	350	
Other Expenses	15,950	15,950	10,087	5,863	
Legal Services and Costs:					
Other Expenses	223,800	223,800	223,800		
Engineering Services and Costs:					
Salaries and Wages	8,630	8,630	8,630		
Other Expenses	70,000	70,000	45,235	24,765	
Historic Preservation:					
Other Expenses	6,300	6,300	178	6,122	
Public Buildings and Grounds:					
Other Expenses	186,000	186,000	153,211	32,789	
Municipal Land Use Law(N.J.S.A.40:55D-1):					
Planning Board:					
Salaries and Wages	43,152	43,152	43,152		
Other Expenses	29,750	47,750	46,040	1,710	

BOROUGH OF MENDHAM
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025
(Continued)

	Appropriations		Expended By		Un-expended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Within "CAPS" (Cont'd):					
General Government (continued):					
Insurance:					
Employee Group Health	$ 714,455	$ 714,455	$ 658,554	$ 55,901	
Unemployment Compensation Insurance	8,000	8,000	8,000		
General Liability Insurance	114,407	114,407	114,326	81	
Workmen's Compensation Insurance	95,863	95,863	95,863		
Long-Term Disability	26,660	26,660	23,350	3,310	
Health Benefit Waiver	30,001	30,001	13,950	16,051	
Public Safety:					
Police:					
Salaries and Wages	1,710,595	1,710,595	1,701,775	8,820	
Salaries and Wages - Other	168,606	168,606	141,505	27,101	
Other Expenses	172,034	172,034	140,281	31,753	
Contractual Radio Dispatch	124,685	124,685	124,658	27	
Other Expenses - Emergency HVAC (N.J.S.A. 40A:11-6 - $119,606)		119,606	119,606		
Office of Emergency Management:					
Salaries and Wages	7,885	7,885	6,085	1,800	
Other Expenses	7,000	7,000	719	6,281	
Aid to Volunteer Fire Company	99,950	99,950	74,269	25,681	
Aid to Volunteer Ambulance Company	48,800	48,800	43,054	5,746	
Fire:					
Salaries and Wages	38,294	38,294	29,848	8,446	
Other Expenses	5,000	5,000	734	4,266	
Fire Hydrant - Other Expenses	148,000	161,000	161,000		
Municipal Court:					
Salaries and Wages	1,000	1,000		1,000	
Other Expenses	46,300	46,300	46,262	38	
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries and Wages	610,238	610,238	601,894	8,344	
Other Expenses	189,100	189,100	145,174	43,926	
Shade Trees:					
Other Expenses	32,900	32,900	16,741	16,159	
Kelley Act - Mendham Commons	9,000	9,000	4,413	4,587	
Vehicle Maintenance (DPW):					
Salary and Wages	68,738	68,738	68,738		
Other Expenses	60,050	60,050	57,512	2,538	
Landfill/Solid Waste Disposal Costs:					
Other Expenses	131,160	131,160	125,064	6,096	
Health and Welfare:					
Board of Health:					
Salaries and Wages	3,921	3,921	3,920	1	
Other Expenses	67,360	67,360	66,313	1,047	
Environmental Commission:					
Other Expenses	16,400	16,400	522	15,878	
Contributions to Social Service Agency:					
MASH Van	27,000	27,000	26,391	609	

BOROUGH OF MENDHAM
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025
(Continued)

	Appropriations		Expended By		Un-expended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Within "CAPS" (Cont'd):					
Recreation and Education:					
Recreation:					
Salaries and Wages	$ 36,900	$ 36,900	$ 36,900		
Other Expenses	33,690	33,690	33,625	$ 65	
Parks and Playgrounds:					
Other Expenses	49,500	49,500	46,003	3,497	
Construction Code Official:					
Salaries and Wages	251,710	251,710	226,109	25,601	
Other Expenses	23,400	23,400	21,589	1,811	
Communications and Public Information:					
Salaries and Wages	27,080	27,080	27,080		
Other Expenses	28,020	28,020	28,020		
Code Enforcement/Zoning:					
Salaries and Wages	15,000	15,000	14,816	184	
Other Expenses	18,600	18,600	13,854	4,746	
Unclassified:					
Salary Adjustment Account	40,000	4,600		4,600	
Utilities	238,600	238,600	211,586	27,014	
Landfill/Solid Waste Disposal Costs - Recycling:					
Other Expenses	197,940	197,940	195,253	2,687	
Total Operations Within "CAPS"	7,129,179	7,248,785	6,693,420	555,365	
Contingency	9,500	9,500	3,549	5,951	
Total Operations Including Contingent Within "CAPS"	7,138,679	7,258,285	6,696,969	561,316	
Detail:					
Salaries and Wages	3,517,307	3,484,907	3,371,969	112,938	
Other Expenses	3,621,372	3,773,378	3,325,000	448,378	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":					
Statutory Expenditures:					
Contributions to PERS	228,115	228,115	228,115		
Contributions to Social Security System (O.A.S.I.)	269,074	269,074	255,572	13,502	
Contributions to PFRS	561,678	561,678	561,678		
Defined Contribution Retirement Plan	8,500	8,500	7,010	1,490	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,067,367	1,067,367	1,052,375	14,992	
Total General Appropriations for Municipal Purposes Within "CAPS"	8,206,046	8,325,652	7,749,344	576,308	

BOROUGH OF MENDHAM
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025
(Continued)

	Appropriations		Expended By		Un-expended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Excluded from "CAPS"					
Aid to Library	$ 201,000	$ 201,000	$ 201,000		
Length of Service Award Program - Fire	27,193	27,193		$ 27,193	
Length of Service Award Program - Ambulance	45,610	45,610		45,610	
Employee Group Health	66,916	66,916	66,916		
Shared Service Agreements:					
Animal Control - Mendham Township	7,600	7,600	7,214	386	
Public and Private Programs Offset by Revenue:					
Clean Communities (N.J.S.A. 40A:4-87 + $4,928)	10,000	14,928	14,928		
Body Armor Fund	1,305	1,305	1,305		
Alcohol Education & Rehab Grant - Reserve	684	684	684		
Recycling Tonnage - Reserve	37,096	37,096	37,096		
Recycling Tonnage	5,051	5,051	5,051		
Historic Trust (NJSA 40A:4-87, $148,317)		148,317	148,317		
Total Operations Excluded from "CAPS"	402,455	555,700	482,511	73,189	
Detail:					
Other Expenses	402,455	555,700	482,511	73,189	
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Anticipation Notes	87,900	87,900	87,826		$ 74
Interest on Notes	21,400	21,400	21,332		68
Total Municipal Debt Service Excluded from "CAPS"	109,300	109,300	109,158		142
Total General Appropriations Excluded from "CAPS"	511,755	665,000	591,669	73,189	142
Subtotal General Appropriations	8,717,801	8,990,652	8,341,013	649,497	142
Reserve for Uncollected Taxes	775,905	775,905	775,905		
Total General Appropriations	$ 9,493,706	$ 9,766,557	$ 9,116,918	$ 649,497	$ 142

BOROUGH OF MENDHAM
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025
(Continued)

	Analysis of Budget After Modification	Analysis of Paid or Charged
Cash Disbursed		$ 8,159,498
Reserve for Uncollected Taxes		775,905
Due to Federal and State Grant Fund		207,381
Outstanding Encumbrances		326,738
Adopted Budget	$ 9,493,706	
Emergency Authorizations	119,606	
Adopted by NJSA 40A:4-87	153,245	
	9,766,557	9,469,522
Less: Appropriation Refunds		352,604
	$ 9,766,557	$ 9,116,918

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

Year	Balance Dec. 31, 2024	2025 Levy	Collections 2024	Collections 2025	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans-ferred to Tax Title Liens	Balance Dec. 31, 2025
2024	$ 242,392			$ 241,285		$ 1,107		
2025		$ 31,998,298	$ 306,830	31,417,790	$ 19,651	15,337	$ 4,307	$ 234,383
	$ 242,392	$ 31,998,298	$ 306,830	$ 31,659,075	$ 19,651	$ 16,444	$ 4,307	$ 234,383

Analysis of 2025 Property Tax Levy

Tax Yield:		
General Purpose Tax	$ 31,925,684	
Added and Omitted Taxes	72,614	
		$ 31,998,298
Tax Levy:		
Regional High School Taxes	8,247,331	
Local School District Taxes	12,739,742	
		$ 20,987,073
County Taxes	3,818,883	
Due County for Added and Omitted Taxes	8,651	
		3,827,534
Municipal Open Space Tax		110,157
		24,924,764
Local Tax for Municipal Purposes Levied	7,003,842	
Add: Additional Tax Levied	69,692	
		7,073,534
		$ 31,998,298

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2024 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2025

	Balance Dec. 31, 2024	Balance After Modi-fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	$ 16,376	$ 76		$ 76
Other Expenses	13,752	1,052	$ 900	152
Organization Contributions:				
Other Expenses	5,500	5,500		5,500
Purchasing:				
Salaries and Wages	15,800			
Other Expenses	4,222	4,222	250	3,972
Human Resources - Personnel & Payroll:				
Salaries and Wages	20,058	58		58
Other Expenses	11,542	5,542	3,435	2,107
Mayor and Council:				
Other Expenses	5,257	2,257	1,282	975
Municipal Clerk:				
Salaries and Wages	48	48		48
Other Expenses	4,177	4,177	4,017	160
Annual Audit	42,000	42,000	42,000	
Computerized Data Processing	19,856	19,856	17,029	2,827
Financial Administration:				
Salaries and Wages	16,250	16,250		16,250
Other Expenses	21,343	21,343	16,634	4,709
Assessment of Taxes:				
Salaries and Wages	459	459		459
Other Expenses	9,463	2,463	529	1,934
Collection of Taxes:				
Salaries and Wages	250	250		250
Other Expenses	2,922	922	486	436
Legal Services and Costs	24,241	24,241	8,434	15,807
Engineering Services and Costs:				
Salaries and Wages	236	236		236
Other Expenses	41,353	41,353	16,348	25,005
Historic Preservation:				
Other Expenses	5,876	5,876	500	5,376
Public Buildings and Grounds:				
Other Expenses	48,399	48,399	46,234	2,165
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Salaries and Wages	209	209		209
Other Expenses	21,261	21,261	19,384	1,877
Insurance:				
Workmen's Compensation	1,442	1,442		1,442
Employee Group Health	107,473	56,673	7,533	49,140
Long-Term Disability	1,085	1,085		1,085
General Liability Insurance	16,357	16,357		16,357
Health Benefit Waiver	1,313	1,313		1,313
Aid to Volunteer Ambulance Company	16,096	10,096	3,605	6,491
Aid to Volunteer Fire Company	48,549	48,549	31,297	17,252
Fire:				
Salaries and Wages	5,488	5,488		5,488
Other Expenses	2,757	2,757	2,267	490
Fire Hydrant:				
Other Expenses	13,230	13,230	13,135	95
Police:				
Salaries and Wages	42,842	3,842		3,842
Salaries and Wages - Other	5,338	5,338		5,338
Other Expenses	69,699	41,199	23,135	18,064
Contractual Radio Dispatch	42	42		42
Municipal Court:				
Salaries and Wages	1,000	1,000		1,000
Office of Emergency Management:				
Salaries and Wages	250	250		250
Other Expenses	11,583	11,583		11,583
Board of Health:				
Salaries and Wages	144	144		144
Other Expenses	895	895	75	820

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2024 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2025
(Continued)

	Balance Dec. 31, 2024	Balance After Modi-fication	Paid or Charged	Balance Lapsed
Roads Repairs and Maintenance:				
Salaries and Wages	$ 7,320	$ 7,320		$ 7,320
Other Expenses	77,094	77,094	$ 29,215	47,879
Kelley Act - Mendham Commons	5,986	5,986	5,985	1
Vehicle Maintenance (DPW):				
Salaries and Wages	303	303		303
Other Expenses	17,456	12,456	10,521	1,935
Landfill/Solid Waste Disposal:				
Other Expenses	2,262	2,262		2,262
Environmental Commission:				
Other Expenses	14,209	14,209		14,209
Parks and Playgrounds:				
Other Expenses	25,129	25,129	19,197	5,932
Contributions to Social Services Agency:				
MASH Van	1	1		1
Recreation:				
Salaries and Wages	219	219		219
Other Expenses	181	181		181
Shade Tree:				
Other Expenses	17,744	17,744		17,744
State Uniform Construction Code:				
Salaries and Wages	16,013	16,013		16,013
Other Expenses	5,356	5,356	308	5,048
Communications and Public Information:				
Salaries and Wages	210	210		210
Other Expenses	3,125	3,125	3,125	
Code Enforcement/Zoning:				
Salaries and Wages	14,583	14,583		14,583
Other Expenses	14,477	14,477	4,981	9,496
Salary Adjustment Account	16,891	16,891		16,891
Utilities	103,355	103,355	24,837	78,518
Landfill/Solid Waste Disposal Costs - Recycling:				
Other Expenses	13,513	13,513	4,402	9,111
Contingency	2,477	2,477	895	1,582
Contribution to:				
Social Security System (O.A.S.I.)	6,756	6,756		6,756
Defined Contribution Retirement Plan	1,324	1,324		1,324
Length of Service Award Program - Fire	22,259	24,359	24,359	
Length of Service Award Program - Ambulance	43,353	43,353	43,353	
Capital Improvement Fund		210,000	210,000	
	$ 1,128,029	$ 1,128,029	$ 639,687	$ 488,342

Analysis of Beginning Balance/Paid or Charged:				
Unencumbered	$ 992,174			
Encumbered	135,855			
Cash Disbursed			$ 576,809	
Accounts Payable			62,878	
	$ 1,128,029		$ 639,687	

BOROUGH OF MENDHAM
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2024	Budget Revenue Accrued	Cash Receipts	From Unappropriated Reserves	Balance Cancelled	Balance Dec. 31, 2025
Stormwater Assistance Grant	$ 10,000		$ 10,000			
Alcohol Education & Rehab Grant		$ 684		$ 684		
Clean Communities Grant - 2025		14,928	14,928			
Recycling Tonnage Grant - 2024	2,957				$ 2,957	
Recycling Tonnage Grant - 2025		5,052	4,806		246	
Recycling Tonnage Grant - Reserve		37,096		37,096		
Body Armor Replacement Fund - 2025		1,305		1,305		
NJ DCA Historic Trust - Phoenix House		148,317				$ 148,317
Morris County Historical Preservation	4,200					4,200
	$ 17,157	$ 207,382	$ 29,734	$ 39,085	$ 3,203	$ 152,517

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BOROUGH OF MENDHAM
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance Dec. 31, 2024	Encumbrances Payable Returned	Transfer from Budget Appropriations	Cash Disbursed	Balance Cancelled	Encumbrance Payable	Balance Dec. 31, 2025
Stormwater Assistance Grant	$ 21,500	$ 1,000		$ 1,000			$ 21,500
Clean Communities Grant - 2024	6,470	1,200		6,870			800
Clean Communities Grant - 2025			$ 14,928	6,082		$ 1,000	7,846
Recycling Tonnage Grant - 2023	12,624			12,624			
Recycling Tonnage Grant - 2024	5,725			757	$ 2,957		2,011
Recycling Tonnage Grant - 2025			5,051	4,555	246		250
Recycling Tonnage Grant Reserve			37,096				37,096
Distracted Driving Grant	5,915						5,915
Alcohol Education & Rehab Grant			684				684
Body Armor Replacement Fund - 2023	330			330			
Body Armor Replacement Fund - 2025			1,305	1,305			
Morris County Historical Preservation	4,200						4,200
NJ DCA Historic Trust - Phoenix House			148,317				148,317
	$ 56,764	$ 2,200	$ 207,381	$ 33,523	$ 3,203	$ 1,000	$ 228,619

BOROUGH OF MENDHAM
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED GRANT RESERVES

	Balance Dec. 31, 2024	Transfer to Budget Revenue	Balance Dec. 31, 2025
Recycling Tonnage Grant	$ 37,096	$ 37,096	
Body Armor Replacement Fund	1,306	1,306	
Alcohol Education & Rehab Grant	684	684	
	$ 39,086	$ 39,086	$ -0-

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2025
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

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	December 31, 2025	December 31, 2024
ASSETS		
Cash and Cash Equivalents	$ 68,574	$ 536,622
Federal and State Grants Receivable	780,250	847,115
Morris County Grant Receivable	296,717	335,243
Deferred Charges to Future Taxation:		
Unfunded	1,405,392	1,493,218
TOTAL ASSETS	$ 2,550,933	$ 3,212,198
LIABLILITIES, RESERVES AND FUND BALANCE		
Bond Anticipation Notes Payable	$ 1,405,392	$ 643,218
Improvement Authorizations:		
Funded	882,626	1,956,119
Unfunded	46,651	538,656
Accounts Payable	16,015	16,015
Due to Current Fund	142,059	
Capital Improvement Fund	26,040	26,040
Reserve For:		
Payment of Debt Service	30,641	30,641
Improvements	90	90
Fund Balance	1,419	1,419
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	$ 2,550,933	$ 3,212,198

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2024	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2025
		Budget Appro- priation	Bond Anticipation Notes	Miscel- laneous	Improvement Authori- zations	Bond Anticipation Notes	Miscel- laneous	From	To	
Fund Balance	$ 1,419									$ 1,419
Capital Improvement Fund	26,040	$ 210,000						$ 210,000		26,040
Due To/(From) Current Fund				$ 168,978			$ 8,978	17,941		142,059
State Grants Receivable	(847,115)			175,925				109,060		(780,250)
Morris County Grants Receivable	(335,243)			48,585				28,000	$ 17,941	(296,717)
Accounts Payable	16,015									16,015
Reserve to Pay Debt Service	30,641									30,641
Reserve for Improvements	90									90
Improvement Authorizations:										
Ord. No. / Improvement Description										
13-12 Various Improvements		64,503	$ 23,342			$ 87,845				
4-19 Various Improvements		6,842	99,473			106,315				
6-17 Various Improvements	29,209				$ 16,959					12,250
5-19 Various Improvements	9,174				2,711					6,463
5-20 DPW Loader and Ambulance	25,984	9,960	340,620			350,580				25,984
7-21 Various Improvements	14,716									14,716
8-21 Acquisition of DPW Equipment		6,521	91,957			98,478				
9-22; 13-24 Various Improvements	418,402				326,487					91,915
5-23; 12-24 Various Improvements	407,596				357,853					49,743
7-23; 14-24 Various Improvements	(337,328)		850,000		492,005					20,667
6-24 Various Improvements	1,077,022				639,131					437,891
3-25; 9-25 Various Improvements				50,000	127,412				347,060	269,648
	$ 536,622	$ 297,826	$1,405,392	$ 443,488	$ 1,962,558	$ 643,218	$ 8,978	$ 365,001	$ 365,001	$ 68,574

BOROUGH OF MENDHAM

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION-UNFUNDED

					Analysis of Balance at December 31, 2025		
Ord. No.	Improvement Description	Balance Dec. 31, 2024	Notes Paid By Budget Appropriation	Balance Dec. 31, 2025	Financed by Bond Antici-pation Notes	Expenditures	Unexpended Improvement Authori-zations
13-12	Various Improvements	$ 87,845	$ 64,503	$ 23,342	$ 23,342		
4-19	Acquisition of Vehicles	106,315	6,842	99,473	99,473		
5-20	DPW Loader and Ambulance	350,580	9,960	340,620	340,620		
8-21	Acquisition of DPW Equipment	98,478	6,521	91,957	91,957		
7-23; 14-24	Various Improvements	850,000		850,000	850,000		
		$ 1,493,218	$ 87,826	$ 1,405,392	$ 1,405,392	$ -0-	$ -0-

Improvement Authorizations Unfunded		$ 46,651
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:		
Ord. No. 5-20	$ 25,984	
Ord. No. 07-23; 14-24	20,667	
		46,651
		$ -0-

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2024 Funded	Balance Dec. 31, 2024 Unfunded	2025 Authorizations Capital Improvement Fund	2025 Authorizations Other Financing Sources	Paid or Charged	Balance Dec. 31, 2025 Funded	Balance Dec. 31, 2025 Unfunded
6-17	Various Improvements	03/30/17	$ 738,100	$ 29,209				$ 16,959	$ 12,250	
5-19	Various Improvements	05/08/19	420,500	9,174				2,711	6,463	
5-20	DPW loader and Ambulance	06/10/20	390,000		$ 25,984					$ 25,984
7-21	Various Improvements	04/26/21	1,017,000	14,716					14,716	
9-22; 13-24	Various Improvements	10/24/22	1,263,000	418,402				326,487	91,915	
5-23; 12-24	Various Improvements	04/12/23	1,171,790	407,596				357,853	49,743	
7-23; 14-24	Various Improvements	04/12/23	1,020,000		512,672			492,005		20,667
6-24	Various Improvements	05/08/24	1,133,819	1,077,022				639,131	437,891	
3-25; 9-25	Various Improvements	09/10/25	397,060			$ 210,000	$ 187,060	127,412	269,648	
				$ 1,956,119	$ 538,656	$ 210,000	$ 187,060	$ 1,962,558	$ 882,626	$ 46,651

NJ DCA Local Recreation Improvement Grant	$ 67,000
Morris County Open Space Fund Trail Construction Grant	28,000
Open Space Trust Fund	50,000
CDBG Grant	42,060
	$ 187,060

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

Ord. No.	Improvement Description	Original Amount Issued	Date of: Issue of Original Note	Date of: Issue	Date of: Maturity	Interest Rate	Balance Dec. 31, 2024	Issued	Matured	Balance Dec. 31, 2025
13-12	Various Improvements	$ 1,187,436	07/12/13	06/27/24	06/27/25	1.00%	$ 63,044		$ 63,044	
13-12	Various Improvements	27,720	07/03/19	06/27/24	06/27/25	1.00%	24,801		24,801	
				06/26/25	06/26/26	1.00%		$ 23,342		$ 23,342
4-19	Various Improvements	130,000	05/08/19	06/27/24	06/27/25	1.00%	106,315		106,315	
				06/26/25	06/26/26	1.00%		99,473		99,473
5-20	Acquisition of Equipment	370,500	09/04/20	06/27/24	06/27/25	5.25%	350,580		350,580	
				06/26/25	06/26/26	3.75%		340,620		340,620
8-21	Acquisition of Equipment	105,000	07/02/21	06/27/24	06/27/25	1.00%	98,478		98,478	
				06/26/25	06/26/26	1.00%		91,957		91,957
7-23; 14-24	Various Improvements	850,000	06/26/25	06/26/25	06/26/26	3.75%		850,000		850,000
							$ 643,218	$ 1,405,392	$ 643,218	$ 1,405,392

	Issued	Matured
Renewals	$ 555,392	$ 555,392
New Issues	850,000	
Funded by Budget Appropriation		87,826
	$ 1,405,392	$ 643,218

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

Ord. No.	Improvement Description	Balance Dec. 31, 2024	Bond Anticipation Notes Issued	Balance Dec. 31, 2025
7-23	Various Improvements	$ 850,000	$ 850,000	
		$ 850,000	$ 850,000	$ -0-

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2025
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, 2025
(With Comparative Totals for 2024)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals 2025	Totals 2024
ASSETS						
Cash and Cash Equivalents	$ 1,729	$ 1,270,964	$ 10,931	$ 9,308	$ 1,292,932	$ 1,287,021
Interfunds Receivable		38,128			38,128	39,229
TOTAL ASSETS	$ 1,729	$ 1,309,092	$ 10,931	$ 9,308	$ 1,331,060	$ 1,326,250
LIABILITIES AND RESERVES						
Due to State of New Jersey Board of Health	$ 2				$ 2	$ 13
Interfunds Payable						37,780
Payroll Deductions and Withholdings				$ 9,308	9,308	9,308
Reserve for Animal Control Fund Expenditures	1,727				1,727	373
Reserve for Other Trust Funds		$ 1,309,092			1,309,092	1,267,845
Reserve for Public Assistance			$ 10,931		10,931	10,931
TOTAL LIABILITIES AND RESERVES	$ 1,729	$ 1,309,092	$ 10,931	$ 9,308	$ 1,331,060	$ 1,326,250

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

Balance December 31, 2024		$ 373
Increased by:		
License Fees Collected	$ 5,304	
Late Fees	367	
		5,671
		6,044
Decreased by:		
Expenditures Under R.S.4:19-15.11		4,317
Balance December 31, 2025		$ 1,727

License Fees Collected

Year	Amount
2023	$ 5,704
2024	4,457
Maximum Allowable Reserve	$ 10,161

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2024	Receipts	Disbursements	Balance Dec. 31, 2025
Reserve for:				
Special Deposits	$ 2,695	$ 329	$ 416	$ 2,608
Special Engineering Deposits	45,967	16,258	20,837	41,388
State Unemployment Trust Fund	69,666	18,445	14,642	73,469
Phoenix House Trust	3,288		175	3,113
Parking Offenses Adjudication Act	2,533	20		2,553
Police Forfeiture Assets	7,352	260		7,612
Police Special Duty	46,456	162,553	151,655	57,354
Recreation Fund	1,923	102,047	102,710	1,260
Open Space	409,539	121,370	217,560	313,349
Hometown Hero		1,350	1,040	310
Rec and Parks Donations		20,975	15,805	5,170
Housing Trust	299,186	25,549		324,735
Other Trust Funds	67,431	176,775	172,512	71,694
Tax Sale Premiums	11,000	72,100	700	82,400
Storm Recovery	112,688	15,417		128,105
Compensated Absences	32,500			32,500
Self Insurance	84,000			84,000
Police Donations	69,012	10,918	4,958	74,972
Third Party Liens		4,397	4,397	
Police Youth Fishing	2,466	1,550	2,466	1,550
Mendham Fest Event	43	2,000	1,193	850
ECOSST Donations	50			50
Phoenix House Garden	50			50
Total	$ 1,267,845	$ 752,313	$ 711,066	$ 1,309,092

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2024	$	10,931
Increased by Receipts:		
Interest		380
		11,311
Decreased by Disbursements:		
Due to Current Fund		380
Balance December 31, 2025	$	10,931

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

	Balance Dec. 31, 2024	Additions	Deletions	Balance Dec. 31, 2025
ASSETS:				
Cash and Cash Equivalents	$ 9,308	$ 5,325,531	$ 5,325,531	$ 9,308
TOTAL ASSETS	$ 9,308	$ 5,325,531	$ 5,325,531	$ 9,308
LIABILITIES:				
Payroll Deductions and Withholdings	$ 9,308	$ 5,325,531	$ 5,325,531	$ 9,308
TOTAL LIABILITIES	$ 9,308	$ 5,325,531	$ 5,325,531	$ 9,308

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2025
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
COMPARATIVE BALANCE SHEET

	Sewer Utility Operating Fund December 31, 2025		Sewer Utility Operating Fund December 31, 2024	
ASSETS				
Cash and Cash Equivalents	$	1,232,855	$	1,098,628
Change Fund		100		100
		1,232,955		1,098,728
Interfund Receivable		5,928		3,288
Due from State of New Jersey		978		978
Receivables with Full Reserves:				
Consumer Accounts Receivable		218,420		255,886
TOTAL ASSETS	$	1,458,281	$	1,358,880

	2025		2024	
LIABILITIES, RESERVES AND FUND BALANCE				
Liabilities:				
Appropriation Reserves:				
Unencumbered	$	267,262	$	299,092
Encumbered		122,377		38,621
Total Appropriation Reserves		389,639		337,713
Accounts Payable - Vendors		70,500		69,739
Accrued Interest on Loans		21,678		22,199
Sewer Rent Overpayments		7,189		3,401
		489,006		433,052
Reserve for Receivables		219,398		256,864
Fund Balance		749,877		668,964
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	$	1,458,281	$	1,358,880

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

	Sewer Utility Operating Fund Year Ended December 31, 2025	2024
Revenue and Other Income Realized		
Fund Balance Utilized	$ 297,527	$ 278,867
Sewer Fees and Charges	1,661,452	1,590,876
Miscellaneous Revenue	81,860	85,239
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	237,497	253,471
Total Income	2,278,336	2,208,453
Expenditures		
Budget Expenditures:		
Operating	1,708,815	1,653,513
Capital Improvements		50,000
Debt Service	104,239	75,626
Statutory Expenditures	86,842	76,999
Total Expenditures	1,899,896	1,856,138
Excess in Revenue	378,440	352,315
Fund Balance		
Balance January 1	668,964	595,516
	1,047,404	947,831
Decreased by:		
Utilized as Anticipated Revenue	297,527	278,867
Balance December 31	$ 749,877	$ 668,964

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2025

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	$ 297,527	$ 297,527
Sewer Fees and Charges	1,568,271	1,645,053
Miscellaneous Revenue	19,000	81,860
Additional Sewer Fees and Charges	16,399	16,399
	$ 1,901,197	$ 2,040,839

Analysis of Miscellaneous Revenue:	
Interest on Investments	$ 42,371
Interest Due From Sewer Utility Capital Fund	21,886
Sewer Connection Fees	7,178
Delinquent Payment Penalties	6,133
Miscellaneous	92
Sewer Allocation	4,200
	$ 81,860

Analysis of Sewer Fees and Charges:	
Cash Collected and Overpayments Applied	$ 1,661,452
	$ 1,661,452

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025

	Sewer Utility Operating Fund				
	Appropriations		Expended by		
	Budget	Budget After Modi-fication	Paid or Charged	Reserved	Unex-pended Balance Cancelled
Operating:					
Salaries and Wages	$ 514,930	$ 514,930	$ 513,250	$ 1,680	
Other Expenses	1,193,885	1,193,885	934,830	259,055	
Total Operating	1,708,815	1,708,815	1,448,080	260,735	
Debt Service:					
NJ Environmental Infrastructure Trust:					
Payment of Loan Principal and Interest	105,540	105,540	104,239		$ 1,301
Total Debt Service	105,540	105,540	104,239		1,301
Statutory Expenditures:					
Social Security System (O.A.S.I.)	39,392	39,392	32,865	6,527	
Public Employees' Retirement System	43,450	43,450	43,450		
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	4,000	4,000	4,000		
Total Statutory Expenditures	86,842	86,842	80,315	6,527	
	$ 1,901,197	$ 1,901,197	$ 1,632,634	$ 267,262	$ 1,301

Analysis of Paid or Charged:

Cash Disbursed	$ 1,458,177
Accrued Interest on Loans	52,374
Outstanding Encumbrances	122,377
	1,632,928
Less: Appropriation Refunds	294
	$ 1,632,634

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2024	$	255,886
Increased by:		
Sewer Charges Levied		1,623,986
		1,879,872
Decreased by:		
Collections and Overpayments Applied		1,661,452
Balance December 31, 2025	$	218,420

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF 2024 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2025

	Balance Dec. 31, 2024	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	$ 8,391	$ 8,391		$ 8,391
Other Expenses	328,388	328,388	$ 100,216	228,172
Social Security	18	18		18
Public Employees' Retirement System	916	916		916
	$ 337,713	$ 337,713	$ 100,216	$ 237,497

Analysis of Balance:		
Unencumbered	$ 299,092	
Encumbered	38,621	
	$ 337,713	
Analysis of Paid or Charged:		
Cash Disbursed		$ 97,348
Accounts Payable		2,868
		$ 100,216

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON LOANS

Balance December 31, 2024	$ 22,199
Increased by:	
Charged to Current Year Budget	52,374
	74,573
Decreased by:	
Interest Paid	52,895
Balance December 31, 2025	$ 21,678

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2025
UTILITY CAPITAL FUNDS

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

BOROUGH OF MENDHAM
UTILITY CAPITAL FUNDS
COMPARATIVE BALANCE SHEET

	Sewer Utility Capital Fund December 31, 2025	Sewer Utility Capital Fund December 31, 2024
ASSETS		
Cash and Cash Equivalents	$ 678,138	$ 697,130
Fixed Capital	14,542,077	14,542,077
Fixed Capital Authorized and Uncompleted	7,435,000	7,435,000
TOTAL ASSETS	$ 22,655,215	$ 22,674,207
LIABILITIES, RESERVES AND FUND BALANCE		
Note Payable - NJ I-Bank - Project in Progress	$ 3,366,918	$ 2,348,572
New Jersey I-Bank Loans Payable	2,238,447	2,290,312
Improvement Authorizations:		
Funded	561,489	561,489
Unfunded	736,495	1,838,351
Interfund Payable	67,806	3,288
Capital Improvement Fund	50,208	50,208
Reserve for:		
Amortization	14,542,077	14,542,077
Deferred Amortization	954,775	902,910
Payment of Debt Service	1,336	1,336
Fund Balance	135,664	135,664
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	$ 22,655,215	$ 22,674,207

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
ANALYSIS OF CASH

Ord. No.		Balance/ (Deficit) Dec. 31, 2024	Receipts: Miscel-laneous	Disbursements: Improvement Authori-zations	Disbursements: Miscel-laneous	Transfers: From	Transfers: To	Balance/ (Deficit) Dec. 31, 2025
	Capital Fund Balance	$ 135,664						$ 135,664
	Capital Improvement Fund	50,208						50,208
	Due (from)/to Sewer Utility Operating Fund	3,288	$ 21,887		$ 25,175			
	Loan Payable - NJ I-Bank - Project in Progress		1,018,346			$ 1,018,346		
	Reserve to Pay Debt Service	1,336						1,336
	Improvement Authorizations:							
Ord. No.	Improvement Description							
05-18	Improvement of the Sanitary Sewerage System	3,956						3,956
09-19	Acquisition of New Vehicle	1,196						1,196
11-19; 14-23	Improvement of the Sewerage System	(54,855)		$ 1,034,050			$ 1,018,346	(70,559)
04-20	Improvement of the Sanitary Sewerage System	5,957						5,957
11-21	Improvement of the Sanitary Sewerage System	47,507						47,507
06-22	Improvement of the Sanitary Sewerage System	338,951						338,951
06-23	Improvement of the Sanitary Sewerage System	113,922						113,922
05-24	Improvement of the Sanitary Sewerage System	50,000						50,000
		$ 697,130	$ 1,040,233	$ 1,034,050	$ 25,175	$ 1,018,346	$ 1,018,346	$ 678,138

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

NOT APPLICABLE

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

NOT APPLICABLE

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF NJ I-BANK LOANS PAYABLE

Balance December 31, 2024	$	2,290,312
Decreased by:		
Principal Matured:		
Paid by Sewer Utility Operating Budget		51,865
Balance December 31, 2025	$	2,238,447

Schedule of Principal and Interest Payments Outstanding December 31, 2025
Trust Loan - 2023 Issue (2023A-W1)

Payment Number	Due	Principal	Interest	Loan Balance
				$ 1,486,232
4	02/01/26		$ 26,013	1,486,232
5	08/01/26	$ 30,000	26,013	1,456,232
6	02/01/27		25,263	1,456,232
7	08/01/27	30,000	25,263	1,426,232
8	02/01/28		24,513	1,426,232
9	08/01/28	30,000	24,513	1,396,232
10	02/01/29		23,763	1,396,232
11	08/01/29	30,000	23,763	1,366,232
12	02/01/30		23,013	1,366,232
13	08/01/30	30,000	23,013	1,336,232
14	02/01/31		22,263	1,336,232
15	08/01/31	40,000	22,263	1,296,232
16	02/01/32		21,263	1,296,232
17	08/01/32	40,000	21,263	1,256,232
18	02/01/33		20,263	1,256,232
19	08/01/33	40,000	20,263	1,216,232
20	02/01/34		19,263	1,216,232
21	08/01/34	40,000	19,263	1,176,232
22	02/01/35		18,263	1,176,232
23	08/01/35	45,000	18,263	1,131,232
24	02/01/36		17,138	1,131,232
25	08/01/36	49,021	17,138	1,082,211
26	02/01/37		16,396	1,082,211
27	08/01/37	49,006	16,396	1,033,205
28	02/01/38		15,653	1,033,205
29	08/01/38	48,991	15,653	984,214
30	02/01/39		14,911	984,214
31	08/01/39	53,976	14,911	930,238
32	02/01/40		14,093	930,238
33	08/01/40	53,861	14,093	876,377

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF NJ I-BANK LOANS PAYABLE
(Continued)

Schedule of Principal and Interest Payments Outstanding December 31, 2025
Trust Loan - 2023 Issue (2023A-W1)

Payment Number	Due	Principal	Interest	Loan Balance
34	02/01/41		$ 13,277	$ 876,377
35	08/01/41	$ 53,743	13,277	822,634
36	02/01/42		12,463	822,634
37	08/01/42	58,622	12,463	764,012
38	02/01/43		11,575	764,012
39	08/01/43	58,398	11,575	705,614
40	02/01/44		10,690	705,614
41	08/01/44	63,167	10,690	642,447
42	02/01/45		9,733	642,447
43	08/01/45	62,831	9,733	579,616
44	02/01/46		8,781	579,616
45	08/01/46	67,485	8,781	512,131
46	02/01/47		7,759	512,131
47	08/01/47	67,030	7,759	445,101
48	02/01/48		6,743	445,101
49	08/01/48	66,561	6,743	378,540
50	02/01/49		5,735	378,540
51	08/01/49	71,078	5,735	307,462
52	02/01/50		4,658	307,462
53	08/01/50	75,481	4,658	231,981
54	02/01/51		3,515	231,981
55	08/01/51	74,768	3,515	157,213
56	02/01/52		2,382	157,213
57	08/01/52	79,034	2,382	78,179
58	02/01/53		1,184	78,179
59	08/01/53	78,179	1,184	-0-
		$ 1,486,232	$ 801,134	

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF NJ I-BANK LOANS PAYABLE
(Continued)

Schedule of Principal Payments Outstanding December 31, 2025
Fund Loan - 2023 Issue

Payment Number	Due	Principal	Loan Balance
			$ 752,215
4	02/01/26	$ 8,955	743,260
5	08/01/26	17,910	725,350
6	02/01/27	8,955	716,395
7	08/01/27	17,910	698,485
8	02/01/28	8,955	689,530
9	08/01/28	17,910	671,621
10	02/01/29	8,955	662,666
11	08/01/29	17,910	644,756
12	02/01/30	8,955	635,801
13	08/01/30	17,910	617,891
14	02/01/31	8,955	608,936
15	08/01/31	17,910	591,026
16	02/01/32	8,955	582,071
17	08/01/32	17,910	564,161
18	02/01/33	8,955	555,206
19	08/01/33	17,910	537,296
20	02/01/34	8,955	528,341
21	08/01/34	17,910	510,432
22	02/01/35	8,955	501,477
23	08/01/35	17,910	483,567
24	02/01/36	8,955	474,612
25	08/01/36	17,910	456,702
26	02/01/37	8,955	447,747
27	08/01/37	17,910	429,837
28	02/01/38	8,955	420,882
29	08/01/38	17,910	402,972
30	02/01/39	8,955	394,017
31	08/01/39	17,910	376,107
32	02/01/40	8,955	367,152
33	08/01/40	17,910	349,243
34	02/01/41	8,955	340,288
35	08/01/41	17,910	322,378
36	02/01/42	8,955	313,423
37	08/01/42	17,910	295,513
38	02/01/43	8,955	286,558
39	08/01/43	17,910	268,648
40	02/01/44	8,955	259,693
41	08/01/44	17,910	241,783
42	02/01/45	8,955	232,828
43	08/01/45	17,910	214,918
44	02/01/46	8,955	205,963
45	08/01/46	17,910	188,054

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF NJ I-BANK LOANS PAYABLE
(Continued)

Schedule of Principal Payments Outstanding December 31, 2025
Fund Loan - 2023 Issue

Payment Number	Due	Principal	Loan Balance
46	02/01/47	$ 8,955	$ 179,099
47	08/01/47	17,910	161,189
48	02/01/48	8,955	152,234
49	08/01/48	17,910	134,324
50	02/01/49	8,955	125,369
51	08/01/49	17,910	107,459
52	02/01/50	8,955	98,504
53	08/01/50	17,910	80,594
54	02/01/51	8,955	71,639
55	08/01/51	17,910	53,729
56	02/01/52	8,955	44,774
57	08/01/52	17,910	26,865
58	02/01/53	8,955	17,910
59	08/01/53	17,910	-0-
		$ 752,215	

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2024 Funded	Balance Dec. 31, 2024 Unfunded	Paid or Charged	Balance Dec. 31, 2025 Funded	Balance Dec. 31, 2025 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	1,196			1,196	
11-19; 14-23	Improvement of Sewerage System	9/23/2019; 11/29/23	5,075,000 1,475,000		$ 1,838,351	$ 1,101,856		$ 736,495
04-20	Improvement of the Sanitary Sewerage System	06/10/20	62,000	5,957			5,957	
11-21	Improvement of the Sanitary Sewerage System	08/23/21	126,000	47,507			47,507	
06-22	Improvement of the Sanitary Sewerage System	06/27/22	544,000	338,951			338,951	
06-23	Improvement of the Sanitary Sewerage System	04/12/23	165,000	113,922			113,922	
05-24	Improvement of the Sanitary Sewerage System	04/22/24	50,000	50,000			50,000	
				$ 561,489	$ 1,838,351	$ 1,101,856	$ 561,489	$ 736,495

Cash Disbursed	$ 1,034,050
Due Current Fund	67,806
	$ 1,101,856

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

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2024	Loans Paid From Operating Budget	Balance Dec. 31, 2025
11-19; 14-23	Improvement of Sewerage System	9/23/2019; 11/29/23	$ 17,910	$ 51,865	$ 69,775
11-21	Improvement of Sewerage System	08/23/21	126,000		126,000
6-22	Improvement of Sewerage System	06/27/22	544,000		544,000
6-23	Improvement of Sewerage System	04/12/23	165,000		165,000
5-24	Improvement of Sewerage System	04/22/24	50,000		50,000
			$ 902,910	$ 51,865	$ 954,775

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2025

Ord. No.	Improvement Description	Balance Dec. 31, 2024	Loans Issued	Balance Dec. 31, 2025
11-19; 14-23	Improvement of Sewerage System	$ 1,893,206	$ 1,018,346	$ 874,860
		$ 1,893,206	$ 1,018,346	$ 874,860

BOROUGH OF MENDHAM

COUNTY OF MORRIS

2025

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF MENDHAM
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF GENERAL FIXED ASSETS

	December 31, 2025	December 31, 2024
GENERAL FIXED ASSETS:		
Assets:		
Land	$ 1,767,500	$ 1,767,500
Buildings and Building Improvements	3,855,915	3,855,915
Machinery and Equipment	8,074,074	6,504,747
Total Assets	$ 13,697,489	$ 12,128,162
RESERVES:		
Reserve for General Fixed Assets	$ 13,697,489	$ 12,128,162
Total Reserves	$ 13,697,489	$ 12,128,162

BOROUGH OF MENDHAM

GENERAL FIXED ASSETS ACCOUNT GROUP

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS

	Balance Dec. 31, 2024	Additions	Deletions	Balance Dec. 31, 2025
Land	$ 1,767,500			$ 1,767,500
Buildings and Building Improvements	3,855,915			3,855,915
Machinery and Equipment	6,504,747	$ 1,633,102	$ 63,775	8,074,074
Total	$ 12,128,162	$ 1,633,102	$ 63,775	$ 13,697,489

STATISTICAL SECTION
(Unaudited)

Table 1

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

	YEAR ENDED DECEMBER 31,									
EXPENDITURES	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Current Fund:										
General Government	$ 2,370,654	$ 2,335,896	$ 2,330,681	$ 2,410,004	$ 2,536,443	$ 2,687,499	$ 2,902,156	$ 3,144,502	$ 3,373,814	$ 3,559,892
Public Safety	2,072,341	2,101,259	2,122,405	2,253,232	2,240,111	2,408,867	2,788,133	2,627,254	2,604,226	2,918,136
Streets and Roads	1,027,497	1,017,440	1,057,925	1,097,972	1,141,362	1,007,016	1,142,629	1,072,757	1,083,330	1,101,186
Health and Welfare	97,946	102,786	100,768	98,688	106,755	105,375	100,500	113,912	108,262	114,681
Recreation and Education	81,531	77,170	159,900	273,250	170,895	162,837	176,950	98,845	107,684	120,090
Deferred Charges and Statutory Expenditures	654,594	675,879	721,079	733,622	759,950	842,323	969,833	981,300	975,716	1,067,367
Capital	320,000	320,000	370,000	375,000	453,000	1,027,000	596,336	444,000	133,500	
Debt Service	756,275	757,332	748,934	603,091	603,904	588,601	85,007	103,069	107,985	109,158
Reserve for Uncollected Taxes	723,885	731,085	738,395	745,705	745,705	745,705	745,705	745,705	760,705	775,905
Current Fund Budget Totals	8,104,723	8,118,847	8,350,087	8,590,564	8,758,125	9,575,223	9,507,249	9,331,344	9,255,222	9,766,415
Utility Operating Funds:										
Utility Operations	1,295,200	1,324,932	1,336,705	1,317,565	1,374,227	1,394,114	1,550,576	1,619,731	1,653,513	1,708,815
Deferred Charges and Statutory Expenditures	55,449	56,234	57,414	58,212	59,000	58,000	64,000	71,409	76,999	86,842
Capital	25,000	75,000	120,000	75,000	75,000	71,000	220,000	165,000	50,000	
Debt Service	539,757	525,842	293,763	294,842	294,386	295,165			75,626	104,239
Utility Operating Fund Budget Totals	1,915,406	1,982,008	1,807,882	1,745,619	1,802,613	1,818,279	1,834,576	1,856,140	1,856,138	1,899,896
County Taxes	3,502,567	3,581,574	3,582,288	3,564,076	3,538,656	3,411,392	3,515,405	3,622,053	3,797,501	3,827,534
Local and Regional School Taxes	17,732,026	18,383,927	18,702,616	18,836,937	19,333,567	19,662,353	20,032,437	20,540,675	20,312,499	20,987,073
Municipal Open Space Taxes	109,594	109,769	109,769	109,982	109,677	109,840	109,648	109,921	109,985	110,157
Other Expenditures	280,072	155,735	652,972	416,573	50,078	61,313	2,610	217,478	23,951	211,597
TOTAL EXPENDITURES	$ 31,644,388	$ 32,331,860	$ 33,205,614	$ 33,263,751	$ 33,592,716	$ 34,638,400	$ 35,001,925	$ 35,677,611	$ 35,355,296	$ 36,802,672

Source: Borough records.

Table 2

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

REVENUE	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	YEAR ENDED DECEMBER 31,									
Current Fund:										
Fund Balance Anticipated	$ 1,517,024	$ 1,508,817	$ 1,627,630	$ 1,685,712	$ 1,713,212	$ 2,181,988	$ 1,956,988	$ 1,460,000	$ 1,570,745	$ 1,700,229
Miscellaneous Revenue	1,032,109	834,866	763,343	824,650	878,191	1,009,707	1,176,248	1,700,899	1,292,593	1,294,283
Receipts from Delinquent Taxes	209,055	167,304	108,883	116,213	68,902	125,443	112,734	77,570	204,156	241,285
Receipts from Current Taxes	6,405,531	6,527,993	6,740,423	6,716,455	6,808,813	7,023,171	7,158,293	7,326,881	7,354,053	7,595,412
Current Fund Budget Totals	9,163,719	9,038,980	9,240,279	9,343,030	9,469,118	10,340,309	10,404,263	10,565,350	10,421,547	10,831,209
Utility Operating Funds:										
Fund Balance Anticipated	399,607	451,292	156,542	174,674	206,146	206,146	206,146	206,146	278,867	297,527
Water and Sewer Rents	1,561,543	1,589,175	1,581,208	1,564,116	1,589,986	1,627,095	1,639,900	1,541,873	1,590,876	1,661,452
Miscellaneous Revenue	22,822	49,622	37,060	36,015	51,080	25,477	19,086	66,475	85,239	81,860
Utility Operating Fund Budget Totals	1,983,972	2,090,089	1,774,810	1,774,805	1,847,212	1,858,718	1,865,132	1,814,494	1,954,982	2,040,839
Non-Budget Revenues	369,104	369,646	381,580	509,073	1,143,609	699,558	686,638	405,482	437,766	547,134
Other Credits to Income	560,649	515,146	798,487	961,755	896,095	701,542	726,397	1,025,421	933,156	726,647
Taxes Allocated to School, County and Open Space	21,344,187	22,075,270	22,394,673	22,510,995	22,981,900	23,183,585	23,657,490	24,272,649	24,219,985	24,924,764
TOTAL REVENUE	$ 33,421,631	$ 34,089,131	$ 34,589,829	$ 35,099,658	$ 36,337,934	$ 36,783,712	$ 37,339,920	$ 38,083,396	$ 37,967,436	$ 39,070,593

Source: Borough records.

Table 3

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

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
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%
2022	30,190,434	30,070,078	99.60%	110,476	30,180,554	99.97%	77,570	0.26%
2023	31,100,066	30,853,825	99.20%	77,570	30,931,395	99.46%	216,853	0.70%
2024	31,114,934	30,813,333	99.03%	204,156	31,017,489	99.69%	242,392	0.78%
2025	31,998,298	31,744,271	99.20%	241,285	31,985,556	99.96%	234,383	0.73%

Source: Tax Collector.

Table 4

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

Year	West Morris Regional High School	Mendham School District	Mendham Borough	Morris County	Municipal Open Space	Total
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
2022	0.635	0.949	0.514	0.278	0.008	2.384
2023	0.656	0.971	0.532	0.287	0.008	2.454
2024	0.649	0.959	0.543	0.301	0.008	2.460
2025	0.653	1.008	0.554	0.303	0.008	2.526

Source: Tax Collector.

Table 5

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

Year	Net Assessed Valuation Taxable	Estimated Full Cash Valuations	Percent of Net Assessed to Estimated Full Cash Valuations
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%
2022	1,265,709,106	1,371,561,973	92.28%
2023	1,263,270,524	1,422,680,412	88.80%
2024	1,264,043,370	1,542,080,373	81.97%
2025	1,263,882,977	1,604,934,987	78.75%

Source: Abstract of Ratables, County Board of Taxation

BOROUGH OF MENDHAM
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED DECEMBER 31, 2025
UNAUDITED

Taxpayer	Type of Business	2025 Assessed Valuation	Percentage of Net Assessed Valuation
V-Fee Realty	Shopping Center	$ 22,000,000	1.74%
Individual Taxpayer #1	Individual	8,564,900	0.68%
Roxiticus Golf Club	Golf and Tennis Club	8,003,900	0.63%
Holly RE LLC	Nursing Home	6,500,000	0.51%
Individual Taxpayer #2	Individual	5,682,500	0.45%
Individual Taxpayer #3	Individual	5,652,500	0.45%
Individual Taxpayer #4	Individual	5,203,600	0.41%
Individual Taxpayer #5	Individual	5,000,000	0.40%
Individual Taxpayer #6	Individual	4,779,400	0.38%
Individual Taxpayer #7	Individual	4,397,900	0.35%
Total		$ 75,784,700	6.00%

Source: Tax Assessor

Table 7

BOROUGH OF MENDHAM
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2025
UNAUDITED

Year Ended December 31,	Equalized Valuation Basis
2025	$ 1,757,484,751
2024	1,600,615,677
2023	1,536,565,684
	$ 4,894,666,112

Average equalized valuation of taxable property		$ 1,631,555,371
Borough borrowing margin (3.5% of $1,631,555,371)	$ 57,104,438	
Net debt as of December 31, 2025	1,374,751	
Borough borrowing margin available	$ 55,729,687	

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2025, 2024, and 2023.

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

Year		Population (*)	Assessed Value	Net General Obligation Debt	Ratio of Debt to Assessed Value	Net General Obligation Debt Per Capita
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		4,973	1,262,502,152	891,256	0.07%	179
2022		4,958	1,265,709,106	811,256	0.06%	164
2023		4,970	1,263,270,524	730,497	0.06%	147
2024		5,000	1,264,043,370	643,218	0.05%	129
2025	*	5,000	1,263,882,977	1,405,392	0.11%	281

Source: Borough of Mendham Records

(*) Information provided by U.S. Bureau of the Census, Population Division, 2025 numbers not available, used 2024 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

Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expentitures
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%
2022	80,000	5,007	85,007	35,001,925	0.24%
2023	80,759	22,310	103,069	35,677,611	0.29%
2024	87,279	20,706	107,985	35,355,296	0.31%
2025	87,826	21,332	109,158	36,802,672	0.30%

Source: Borough of Mendham Records

Table 10

BOROUGH OF MENDHAM
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
UNAUDITED

Year	Unemployment Rate(**),(***)	Per Capita Income *,(***)	Population(*),(****)
2016	3.80 %	$ 87,984	4,945
2017	3.50 %	90,256	4,924
2018	3.10 %	93,695	4,900
2019	2.70 %	96,774	4,845
2020	7.50 %	98,875	4,836
2021	5.30 %	107,135	4,973
2022	3.10 %	109,057	4,958
2023	3.50 %	115,850	4,970
2024	3.70 %	115,850 ***	5,000
2025	3.70 % ****	115,850 ***	5,000 ****

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 2025 and 2024, used 2023 as an estimate
(****) Information not available for 2025, used 2024 as an estimate

Table 11

BOROUGH OF MENDHAM
MISCELLANEOUS STATISTICS
DECEMBER 31, 2025
UNAUDITED

Date of Incorporation		May 15, 1906
Form of Government		Borough
Number of Employees	Full Time	38
	Part Time	16
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		3
Parks		11
Park acreage		245
Tennis courts		2
Fire protection:		
Number of Stations		1
Number of Fire personnel and officers		44
Number of calls answered		217
Number of inspections conducted		262
Emergency medical services:		
Number of Stations		1
Number of Emergency medical personnel and officers		40
Number of calls answered		432
Police protection: Chief		
Number of stations		1
Number of police personnel and officers		14
Number of patrol units		11
Number of law violations		
Physical Arrests		17
Traffic violations		2,318
Parking violations		64
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		241,000
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		73
Other		26

Source - Various Borough offices and servicing entities

SINGLE AUDIT SECTION

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025

Not Applicable

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, 2025

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period From	Grant Period To	Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
Department of Law and Public Safety	Body Armor Replacement	718-066-1020	01/01/23	12/31/25	$ 1,145		$ 330	$ 1,145
		001-090160	01/01/24	12/31/25	1,306		1,306	1,306
					2,451		1,636	2,451
	NJ Statewide Body Worn Camera	100-066-1020-495-092120	01/01/21	12/31/22	21,195	$ 21,195		21,195
Subtotal - Department of Law and Public Safety					23,646	21,195	1,636	23,646
Department of Environmental Protection	Clean Communities Act	765-042-4900	01/01/24	12/31/26	15,051		6,870	14,251
		004-178910	01/01/25	12/31/26	14,928	14,928	6,082	6,082
					29,979	14,928	12,952	20,333
	Recycling Tonnage Grant	100-042-4910	01/01/23	12/31/25	15,810		12,624	15,810
		224-238490	01/01/24	12/31/26	5,051		758	3,041
			01/01/25	12/31/26	4,806	4,806	4,555	4,555
					25,667	4,806	17,937	23,406
	New Jersey I-Bank: Wastewater Treatment Plant Improvements	S340159-04	01/01/21	12/31/26	6,550,000	1,018,346	1,101,856	5,813,505
	Stormwater Assistance Grant	100-042-4850-099-290400	01/01/23	12/31/26	25,000	10,000	1,000	3,500
Subtotal - Department of Environmental Protection					6,630,646	1,048,080	1,133,745	5,860,744
Department of Transportation	Local Municipal Aid 2024 - Gunther Street	078-6320-480 APS-606284	01/01/24	12/31/26	234,567	175,925	177,770	234,567
Subtotal - Department of Transportation					234,567	175,925	177,770	234,567
TOTAL STATE AWARDS					$ 6,888,859	$ 1,245,200	$ 1,313,151	$ 6,118,957

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, 2025

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, 2025. 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 25-12, *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 15 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 loans outstanding as of December 31, 2025:

NJ I-Bank Note – Project in Progress	$3,366,918
NJ I-Bank Loans Payable	$2,238,447

The Borough is in the process of repaying these loans. The Borough received $5,657,230 as of December 31, 2025. Project expenditures in the current year totaled $1,101,856. The project is not complete.

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

Independent 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 year ended December 31, 2025, and the related notes to the financial statements and have issued our report thereon dated May 27, 2026. 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.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2025-001, that we consider to be a significant deficiency.

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 Questioned Costs. 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
May 27, 2026

NISIVOCCIA LLP

Francis Jones of Nisivoccia LLP

Francis Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance Required by NJOMB 25-12

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Borough of Mendham's (the "Borough's") compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on the Borough's major state program for the year ended December 31, 2025. The Borough's major state program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements 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 25-12, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 25-12 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major state program. Our audit does not provide a legal determination of the Borough compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Borough's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough's compliance based on our audit. 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*, the Uniform Guidance and New Jersey's OMB Circular 25-12 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 25-12, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 25-12, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

The Honorable Mayor and Members
of the Borough Council
Borough of Mendham
Mendham, New Jersey
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey's OMB Circular 25-12. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
May 27, 2026

NISIVOCCIA LLP

Francis Jones of Nisivoccia LLP

Francis Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified 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.

- A significant deficiency disclosed during the audit of the financial statements is 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 Standard*s. 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.

- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance required by NJOMB 25-12.*

- The auditors' report on compliance for the major state program for the Borough expresses an unmodified opinion on the major state program.

- The Borough was not subject to the single audit provisions of the Uniform Guidance for the year ended December 31, 2025 as federal grant expenditures were less than the single audit threshold of $1,000,000.

- The audit did not disclose any findings which are required to be reported in accordance with New Jersey's OMB Circular 25-12 or 2 CFR 200.516(a) of Uniform Guidance.

- The Borough's program tested as a major state program for the current year consisted of the following state program:

State Program:	State Grant Award No.	Award Amount	Expenditures
New Jersey I-Bank:			
Wastewater Treatment Plant Improvements	S340159-04	$ 6,550,000	$ 1,101,856

- The Borough was not determined to be a "low-risk" auditee for state programs.

- The threshold for distinguishing between Type A and Type B state programs was $1,000,000.

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

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 deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2025-001

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.

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.

Findings and Questioned Costs for Federal Awards:

- Not Applicable – Federal grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJ OMB 25-12.

BOROUGH OF MENDHAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

The prior year finding 2024-001 regarding segregation of duties was not resolved due to budgetary constraints and is included as a current year finding.

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 through June 30, 2025, 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. Effective July 1, 2025 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 $53,000 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.

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 Sewer Charges

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 2025, 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, 2025. All eligible properties were included in the sale.

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:

Year	Number of Liens
2025	3
2024	3
2023	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:

Type	Number Mailed
Payments of 2025 Taxes	25
Payments of 2026 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, 2025. 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, 2025.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Purchase Orders

During the course of our audit testing, we noted several 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.

Municipal Court

The transactions for the year 2025 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

	Balance Dec. 31, 2024	Receipts	Dis-bursements	Balance Dec. 31, 2025
State of New Jersey	$ 3,670	$ 17,470	$ 20,122	$ 1,018
County	1,484	10,166	10,709	941
Municipality	3,912	25,596	26,704	2,804
Municipality POAA	2	20	20	2
Restitution	100	3,375	3,325	150
Public Defender		200	200	
Weights and Measures	2,750	23,650	24,400	2,000
	$ 11,918	$ 80,477	$ 85,480	$ 6,915

Management Suggestions

Governmental Accounting Standards Board (GASB) Statements effective for Year Ending December 31, 2026

GASB Statement No. 104, Disclosure of Certain Capital Assets

Standard requires lease assets as well as subscription assets to be disclosed separately in the capital assets note disclosures. The standard also requires a disclosure for capital assets held for sale where it is probable that the sale will be finalized within one year of the financial statement date.

Governmental Accounting Standards Board (GASB) Statements effective for Year Ending December 31, 2027

GASB Statement No. 105, Subsequent Events

Standard will improve financial reporting related to subsequent events by clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and specifying the information items that are required to be disclosed about subsequent events.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2024 audit report. The prior year recommendation regarding advertising change orders was resolved in the current year. The prior year recommendations regarding segregation of duties and purchase orders were not resolved and are included as current year recommendations.

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

* * * * * *