

**BOROUGH
OF
MENDHAM**

Borough of Mendham
County of Morris
Mendham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended December 31, 2010

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF MENDHAM

Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2010

Prepared by

Borough of Mendham
Finance Department

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INTRODUCTORY SECTION



The Phoenix House circa 1820

The Borough of Mendham

2 West Main Street, Mendham, New Jersey 07945

Incorporated May 15, 1906

Telephone: 973-543-7152

Fax: 973-543-7202

June 17, 2011

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

The comprehensive annual financial report of the Borough of Mendham for the fiscal year ended December 31, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Borough of Mendham. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Borough. All disclosures necessary to enable the reader to gain an understanding of the Borough's financial activities have been included.

The comprehensive annual 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 auditor's 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 the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and the State Treasury Circular Letter 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report. The Borough was not subject to the requirements of the two circulars as federal and state assistance expenditures were each below the circulars' thresholds.

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

Mendham Borough is in scenic southern Morris County, adjacent to Bernardsville and Mendham 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 2010 population is an estimated 5,097 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 \$6,430,800 with a median value of \$574,300. In accordance with the Master Plan, current zoning consists of 1/4, 1/2, 1, 3 and 5 acre residential zones, business, limited business, and historic business districts. The water supply is available to the entire community from a private company, and 80% of the population in the denser zoned areas are sewered.

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

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

LOCAL SCHOOL DISTRICT: About 680 students are enrolled at the two elementary schools (K-4 and Grades 5-8). The Mendham Borough School District is committed to education of the highest quality and the continuous improvement of programs and instruction. This is accomplished through individual and group instruction, guidance services, programs for the gifted and talented, and through utilization of up-to-date educational technology in classrooms and computer labs. Also included in the curriculum are related arts (K-8) and a well-rounded co-curricular program. In addition, specialized services are provided to students in need. A positive working and learning environment is fostered by securing the cooperation of parents and community groups. Teachers of the highest quality are recruited and opportunities are provided for teaching staff members, students, and parents to make recommendations concerning the operation of the schools. Borough students continue to score above the state and national averages on the California Test of Basic Skills.

REGIONAL HIGH SCHOOL DISTRICT: Students in Grades 9-12 attend the West Morris Mendham High School, which is part of the West Morris Regional High School District. The West Morris Regional High School District continues to rank high on state and national tests, with students scoring well above the state and nation in S.A.T. scores. Over 88% of its students continue their formal education at two- or four-year colleges. Each of its two high schools has been accredited by the New Jersey State Department of Education, the Gilder Lehrman Institute of American History, and the International Baccalaureate Program. In addition, the District has been recognized by the national firm, School Match, as being in the top nine percent of the nation's schools in meeting parents' needs.

The District's mission statement was established in 2007 by the Long Range Planning Council, a group of community volunteers, WMRHSD administrators and teachers who contributed to developing the Long Range Plan 2007-2012.

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

UTILITIES:

Water is supplied by a private company, New Jersey American Water Company. The water supply is adequate and is supplied by a half-million gallon commitment from the Morris County Municipal Utilities Authority and other sources.

Sewer service is a municipal utility and operated on a self-supporting basis. Treatment is supplied by a modern activated sludge treatment plant of .45 million gallons per day permitted capacity, constructed in 1965.

Gas is supplied by Public Service Electric & Gas Company under the jurisdiction of the State Board of Public Utilities. Electricity is supplied by Jersey Central Power & Light also under the jurisdiction of the Board of Public Utilities.

ECONOMIC CONDITION AND OUTLOOK: Mendham Borough has a population of about 5,097. It extends 6.7 square miles, and the Township of Mendham forms a horseshoe around it. It is primarily residential, except for the Mendham Village Shopping Center on Main Street and several small specialty stores and antique shops.

MAJOR INITIATIVES:

The Borough entered into an interlocal services agreement with the Township of Randolph for Animal Control Services.

Combe Landfill South litigation was closed out after many years of legal proceedings.

A town-wide reappraisal of Borough properties was completed by Appraisal Systems, Inc.

A rededication ceremony was held for the newly restored Phoenix House Garden on September 5, 2010. The garden had also been recognized by receiving a McFlowertown Recognition Award.

An Occupancy Limitation ordinance was adopted, establishing the registration, certification and occupancy limitations for rental units in the Borough.

The Borough's Public Assistance Program was transferred to and will be administered by the County of Morris.

The Borough of Mendham received an Achievement in Planning Award at the State Planning Conference on April 23, 2010.

The kitchen renovations project at Mendham Area Senior Housing was completed.

Improvements to the Mendham Area Senior Housing parking lot were completed.

The Borough received a \$6,000 grant from the Association of N.J. Environmental Commissions for establishing a Loop Trail.

The Borough participated in the Senior Community Service Employment Program.

Stormwater Compliance Solutions inspected 645 inlets and 40 outfall structures within the Borough.

Borough facilities were inspected by Donnelly Energy Solutions for participation in the NJ Smart Start Direct Install Program – Energy Efficiency Conservation Block Grant. This program will allow the Borough to replace heating and cooling equipment and lighting systems with newer, more efficient technology.

Discussions were held with Mendham Township on sharing services with the Public Works Departments.

A storage unit was constructed by the Public Works Department to contain the First Aid Squad's oxygen tanks.

Lowery Lane and Ironia Road were paved.

Phase 2 and 3 of the Wastewater Treatment Plant's slip lining project were completed. The improvements made to the plant's infrastructure from this project will result in a reduction of inflow and infiltration into the sanitary sewer system, reducing the amount of wastewater that requires processing.

INTERNAL ACCOUNTING CONTROLS: Management of the Borough is responsible for establishing and maintaining an internal control structure 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 an other comprehensive basis of accounting as required state statute and regulation. The internal control structure 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 financial assistance, the Borough also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by Borough management and would be tested if a single audit was required.

BUDGETARY CONTROLS: In addition to internal accounting controls, the Borough maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body of the municipality. An annual appropriated budget is adopted for the current fund and the sewer utility operating fund. Project-length budgets are approved for the capital improvements accounted for in the general and sewer utility capital funds. The original and final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are considered part of the statutory appropriation reserve balance on the Borough's balance sheet.

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

DEBT ADMINISTRATION: At December 31, 2010, the Borough had bonded debt as a result of a bond sale in 2006 of \$6,672,000. The Borough also has temporary debt of \$2,576,000 in the form of bond anticipation notes. The Borough also has \$247,637 in a loan from the State Green Acres Loan Program. In addition, the Borough has unissued capital debt of \$127,641, some of which the Borough plans to be issued as bond anticipation notes or to be funded through annual budget appropriations.

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

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

FINANCIAL INFORMATION AT FISCAL 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 fiscal year ended December 31, 2010, and the amount and percentage of increases or decreases in relation to prior year revenue. Following the schedule is an explanation for some the increases and decreases which occurred during 2010 in relation to the prior year

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2009</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,203,885	4.02%	\$ 220,385	22.41%
Sewer Rents	1,570,868	5.25%	(30,956)	-1.93%
Miscellaneous Revenue	1,025,687	3.43%	(142,185)	-12.17%
Receipts from Delinquent Taxes	150,158	0.50%	(14,418)	-8.76%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>5,810,505</u>	<u>19.40%</u>	<u>210,695</u>	<u>3.76%</u>
Municipal Budget Totals-Revenue	<u>9,761,103</u>	<u>32.60%</u>	<u>243,521</u>	<u>2.56%</u>
Nonbudget Revenue	350,511	1.17%	57,769	19.73%
Other Credits to Income	502,504	1.68%	244,408	94.70%
Taxes Allocated to Schools, County and Open Space Trust	<u>19,330,787</u>	<u>64.55%</u>	<u>271,747</u>	<u>1.43%</u>
Total	<u>\$29,944,905</u>	<u>100.00%</u>	<u>\$ 817,445</u>	

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.

The increase in fund balance reflects the Borough's conservative approach in anticipating fund balance and the Borough's attempt to stabilize and improve their fund balance position. The decrease in miscellaneous revenue is primarily attributable to a decrease in energy receipts tax from the state in 2010. The decrease in receipts from delinquent taxes was caused by a smaller balance of delinquent taxes receivable at December 31, 2009 than at December 31, 2008. In both years, nearly the entire amounts receivable were collected in the subsequent year. The increase in the amount to be raised by taxes for support of the municipal budget and the increase in taxes allocated to schools, county and open space trust reflect increases in required collections of property taxes, which are remitted to those entities, and the Borough government. Other credits to income increased primarily from the lapsing of appropriation reserves during 2010 as the balance of appropriation reserves at December 31, 2009 was larger than at December 31, 2008.

The following schedule presents a summary of current fund and utility operating funds expenditures for the fiscal year ended December 31, 2010 and the percentage of increases or decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2009</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,299,768	8.04%	\$ 36,369	1.61%
Public Safety	2,009,073	7.03%	86,335	4.49%
Streets and Roads	796,301	2.79%	17,288	2.22%
Health and Welfare	107,670	0.38%	(4,221)	-3.77%
Recreation and Education	131,778	0.46%	(918)	-0.69%
Deferred Charges and Statutory Expenditures	641,028	2.24%	35,073	5.79%
Utility Operating	1,226,933	4.29%	30,315	2.53%
Capital	185,000	0.65%	(60,000)	-24.49%
Debt Service:				
Principal	538,265	1.88%	44,000	8.90%
Interest	326,323	1.14%	3,785	1.17%
Reserve for Uncollected Taxes	675,000	2.36%	-	0.00%
Municipal Budget Totals-Expenditures	8,937,139	31.26%	188,026	2.15%
County Taxes	3,445,658	12.05%	(109,973)	-3.09%
Local and Regional School Taxes	15,775,535	55.18%	381,720	2.48%
Municipal Open Space Taxes	109,594	0.38%	-	0.00%
Other Expenditures	319,194	1.12%	317,956	25683.04%
Total	<u>\$28,587,120</u>	<u>100.00%</u>	<u>\$ 777,729</u>	2.80%

The primary reason for the increase in expenditures was to support the local and regional school districts in addition to debt service requirements and public safety increases. Support for the local and regional schools, in the form of property taxes, increased by \$381,720. Other expenditures increased as a result of tax appeals and litigation reserves. Other changes were minor in comparison with some decreases to offset increases needed for other items during 2010.

OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, RMAs, was selected by the Borough Council. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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

Respectfully submitted,

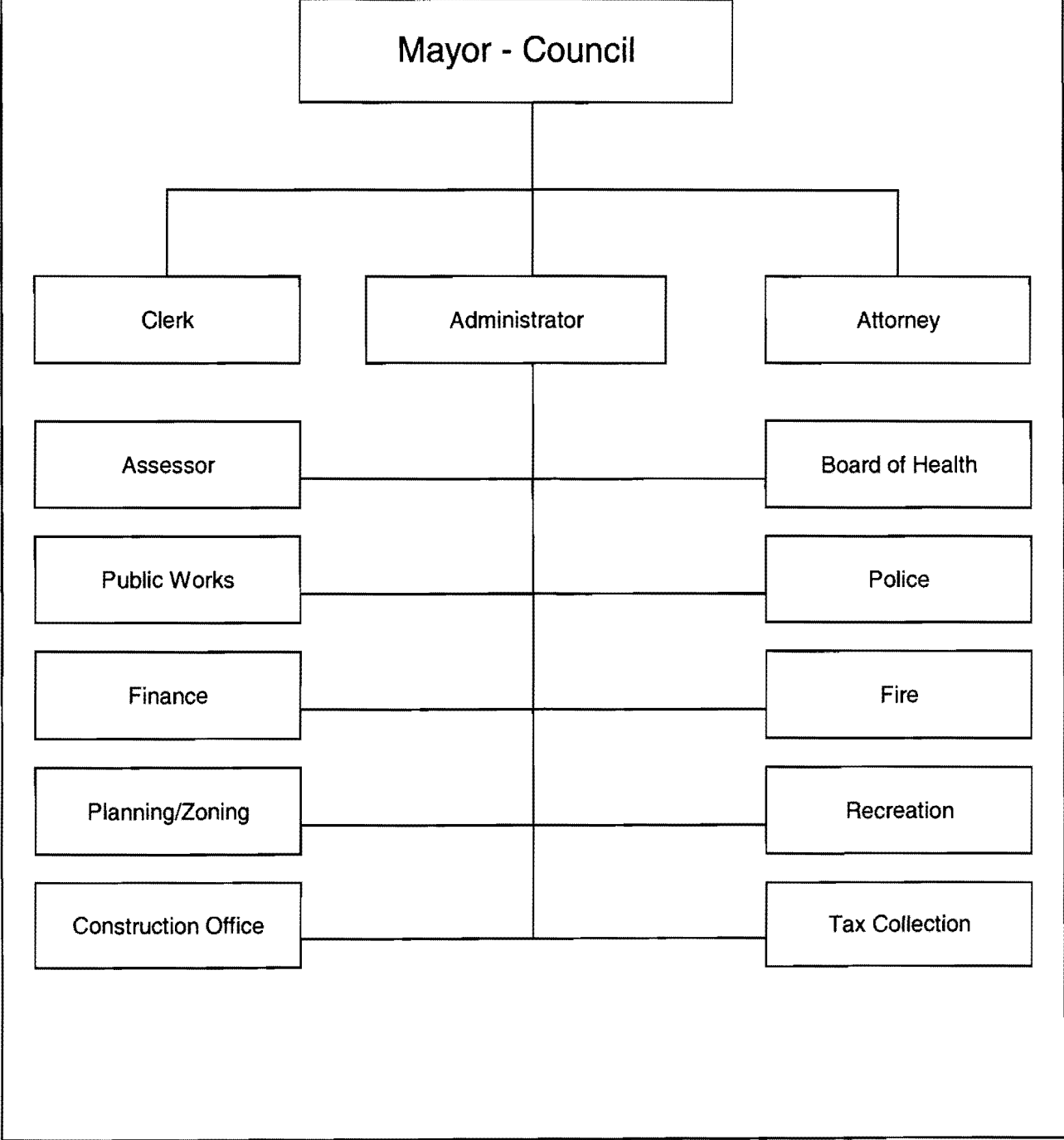
Ellen Sandman

Ellen Sandman
Borough Administrator

Susan Giordano

Susan Giordano
Chief Financial Officer

BOROUGH OF MENDHAM
ORGANIZATIONAL CHART



**BOROUGH OF MENDHAM
ROSTER OF OFFICIALS**

Elected Officials

Mayor	Neil J. Henry, Jr.
Councilman	Louis Garubo
Councilman	John Andrus
Councilman	J. Bradley Badal
Councilman	David Murphy
Councilman (to 6/18/2010)	Stephen M. Carr
Councilman (from 7/1/2010)	David C. Sharkey
Councilman	Stanley Witzzak, III

Appointed Officials

Administrator/Purchasing Agent/Deputy Clerk	Ellen Sandman
Clerk/Deputy Treasurer Assessment Search Officer	Maureen Massey
Tax Collector/Tax Search Officer/ Deputy Public Utilities Clerk	Donna M. Cummins
Treasurer/Chief Financial Officer	Susan Giordano
Public Utilities Clerk/Deputy Tax Collector	Karen Orgera
Tax Assessor	Scott J. Holzhauer
Magistrate	Gary Troxell
Court Administrator/Violations Clerk	Lisa Conover
Building Inspector/Construction Code Official	Russell Heiney

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, L.L.P.
One Gateway Center
Newark, NJ 07102

OFFICIAL DEPOSITORIES
Peapack-Gladstone Bank
Wells Fargo Bank
Bank of America
TD Bank
Provident Bank
Somerset Hills Bank

FINANCIAL SECTION

Independent Auditors' Report

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

We have audited the accompanying financial statements 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, 2010, as listed in the foregoing table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall primary government financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual cost. We are, therefore, unable to express an opinion as to the general fixed assets account group included in the accompanying financial statements.

In our opinion, because the Borough prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2010, and the results of its operations for the year then ended.

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

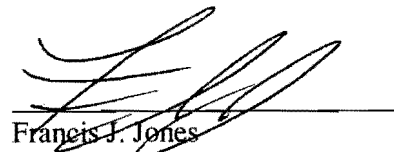
However, in our opinion, except for the effects of such adjustments, if any, as might have been necessary had the general fixed assets account group been audited, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Mendham at December 31, 2010, and the results of operations and changes in fund balance, where applicable, of such funds thereof for the year then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2011 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The information included in the introductory section, combining and individual fund and account group statements and statistical section schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis and are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and are not a required part of the financial statements. The combining and individual fund and account group statements and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1 to the financial statements and Note B to the schedules of expenditures of federal and state awards. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Mount Arlington, New Jersey
June 17, 2011


NISIVOCIA LLP


Francis J. 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
DECEMBER 31, 2010
(With Comparative Totals for 2009)

ASSETS AND OTHER DEBITS:	Governmental Funds		Fiduciary Funds	Utility Funds		Account Group	Totals	
	Current	General Capital	Trust and Agency	Operating	Capital	General Fixed Assets (Unaudited)	(Memorandum Only)	
							2010	2009
Assets:								
Cash and Cash Equivalents	\$ 4,343,117	\$ 1,105,403	\$ 1,567,286	\$ 1,165,589	\$ 1,076,152		\$ 9,257,547	\$ 9,888,283
Receivables and Other Assets:								
Property Taxes Receivable	148,765						148,765	150,317
Consumer Accounts Receivable				124,865			124,865	104,797
Federal and State Receivables	10,373	17,526					27,899	44,377
Interfund Receivables	20,219			8,503	659		29,381	29,362
Property Acquired for Taxes at Assessed Valuation	2,900						2,900	2,900
Fixed Assets in General Fixed Assets Account Group						\$ 8,095,999	8,095,999	8,095,999
Total Assets	4,525,374	1,122,929	1,567,286	1,298,957	1,076,811	8,095,999	17,687,356	18,316,035
Other Debits:								
Deferred Charges:								
Emergency Authorizations	54,000						54,000	112,300
Deferred Charges to Future Taxation		5,094,278					5,094,278	5,411,275
Fixed Capital					14,874,490		14,874,490	14,874,490
Total Other Debits	54,000	5,094,278			14,874,490		20,022,768	20,398,065
Total Assets and Other Debits	\$ 4,579,374	\$ 6,217,207	\$ 1,567,286	\$ 1,298,957	\$ 15,951,301	\$ 8,095,999	\$ 37,710,124	\$ 38,714,100
LIABILITIES, RESERVES AND FUND BALANCE:								
Appropriation Reserves	\$ 632,887			\$ 302,493			\$ 935,380	\$ 917,158
Improvement Authorizations		\$ 431,023			\$ 809,365		1,240,388	2,151,786
Payroll Deductions And Withholdings			\$ 32,493				32,493	73,881
Accounts Payable - Vendors	89,943			27,296			117,239	43,761
Interfund Payables	659	506	17,626	2,087	8,503		29,381	29,362
Reserves for Amortization					10,345,490		10,345,490	10,129,490
Various Liabilities and Reserves	1,485,946	767,376	1,517,167	56,739	93,417	\$ 8,095,999	12,016,644	12,142,831
Serial Bonds, Bond Anticipation Notes and Loans Payable		4,966,637			4,529,000		9,495,637	10,028,634
Reserve for Receivables and Other Assets	171,884			124,865			296,749	278,615
Fund Balance	2,198,055	51,665		785,477	165,526		3,200,723	2,918,582
Total Liabilities, Reserves and Fund Balances	\$ 4,579,374	\$ 6,217,207	\$ 1,567,286	\$ 1,298,957	\$ 15,951,301	\$ 8,095,999	\$ 37,710,124	\$ 38,714,100

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
FOR THE YEAR ENDED DECEMBER 31, 2010

	Current Fund			Utility Operating Funds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 1,003,885	\$ 1,003,885		\$ 200,000	\$ 200,000	
Sewer Rents				1,481,173	1,570,868	\$ 89,695
Miscellaneous Revenue	927,362	996,491	\$ 69,129	25,000	29,196	4,196
Receipts from Delinquent Taxes	100,000	150,158	50,158			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	5,291,000	5,810,505	519,505			
Municipal Budget Totals - Revenue	7,322,247	7,961,039	638,792	1,706,173	1,800,064	93,891
Non-budget Revenues		350,511	350,511			
Other Credits to Income		332,564	332,564		169,940	169,940
Taxes Allocated to Schools, County and Open Space	19,330,787	19,330,787				
TOTAL REVENUES	26,653,034	27,974,901	1,321,867	1,706,173	1,970,004	263,831
EXPENDITURES:						
Current:						
General Government	2,373,163	2,299,768	73,395			
Public Safety	2,009,073	2,009,073				
Streets and Roads	796,301	796,301				
Health and Welfare	107,670	107,670				
Recreation and Education	131,778	131,778				
Deferred Charges and Statutory Expenditures	606,028	606,028		35,000	35,000	
Utility Operating				1,226,933	1,226,933	
Capital	110,000	110,000		75,000	75,000	
Debt Service:						
Principal	322,265	322,265		216,000	216,000	
Interest	190,969	181,088	9,881	153,240	145,235	8,005
Reserve for Uncollected Taxes	675,000	675,000				
Municipal Budget Totals - Expenditures	7,322,247	7,238,971	83,276	1,706,173	1,698,168	8,005
County Taxes	3,445,658	3,445,658				
Local and Regional School Taxes	15,775,535	15,775,535				
Municipal Open Space Taxes	109,594	109,594				
Other Expenditures		319,194	(319,194)			
TOTAL EXPENDITURES	\$ 26,653,034	26,888,952	(235,918)	\$ 1,706,173	1,698,168	8,005
Excess/(Deficit) of Revenues over Expenditures		1,085,949	\$ 1,085,949		271,836	\$ 271,836
Fund Balances January 1, 2010		2,115,991			713,641	
Less: Utilized as Anticipated Revenue		1,003,885			200,000	
Fund Balances December 31, 2010		\$ 2,198,055			\$ 785,477	

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of the GASB 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 principles applicable to municipalities which have been prescribed 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.

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.

Fixed Asset Group of Accounts - 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".

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting policies of the Borough of Mendham conform to the accounting principles applicable to municipalities which have been prescribed by the Division, which differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant 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.

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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

D. Deferred Charges to Future Taxation – The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds or loans have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, or by selling bonds.

E. Other significant accounting policies include:

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

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

Investments – Investments, if any, are stated at cost or amortized cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed Property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The 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.

Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Purchase and equipment purchased by the Sewer Utility Fund is recorded in the Utility Capital Fund at cost.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

General Fixed Assets Account Group

General fixed assets are recorded at cost except for land and buildings which are recorded at 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 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. Fixed assets may also be recorded in the Current Fund and Capital Funds. The values recorded in the General Fixed Asset Account and the Current and Capital Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Capital assets are reviewed for impairment.

- 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, which approximates market. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of 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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

Deposits

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.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or 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;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to (1) and (3) above;

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

Investments (Cont'd)

- (b) the custody of collateral is transferred to a third party,
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in statute;
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2010, cash and cash equivalents of the Borough of Mendham consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Money Market</u>	<u>Checking Accounts</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Current	\$ 230	\$ 3,989,729	\$ 353,158		\$4,343,117
General Capital		1,000,425	104,978		1,105,403
Trust and Agency		300,128	805,634	\$ 461,524	1,567,286
Utility Operating	100	707,684	457,805		1,165,589
Utility Capital		1,000,428	75,724		1,076,152
	<u>\$ 330</u>	<u>\$ 6,998,394</u>	<u>\$ 1,797,299</u>	<u>\$ 461,524</u>	<u>\$9,257,547</u>

The carrying amount of the Borough's cash and cash equivalents at year end was \$9,257,547 and the bank balance was \$9,757,109. The Borough did not hold any investments during the year.

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 20,219	\$ 659
General Capital Fund		506
Other Trust Funds		17,626
Sewer Utility Operating Fund	8,503	2,087
Sewer Utility Capital Fund	659	8,503
	<u>\$ 29,381</u>	<u>\$ 29,381</u>

The primary interfund activity for 2010 consisted of budget appropriations due to the General Capital Fund from the Current Fund and certain accounts within the Other Trust Fund which are to be remitted to the Current Fund. Interfund receivables in the Current Fund are offset with a full reserve, therefore, creating a restriction on Current Fund fund balance.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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,		
	2010	2009	2008
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 4,966,637	\$ 5,283,634	\$ 5,511,217
Sewer Utility:			
Bonds, Loans and Notes	4,529,000	4,745,000	3,330,000
Total Issued	<u>9,495,637</u>	<u>10,028,634</u>	<u>8,841,217</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>127,641</u>	<u>127,641</u>	<u>127,641</u>
Total authorized but not Issued	127,641	127,641	127,641
Less:			
Reserve to Pay Debt Service	<u>192,981</u>	<u>312,981</u>	<u>422,981</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 9,430,297</u>	<u>\$ 9,843,294</u>	<u>\$ 8,545,877</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .33%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 13,704,827	\$ 13,704,827	
Sewer Utility Debt	4,529,000	4,529,000	
General Debt	<u>5,094,278</u>	<u>192,981</u>	<u>\$ 4,901,297</u>
	<u>\$ 23,328,105</u>	<u>\$ 18,426,808</u>	<u>\$ 4,901,297</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

Net Debt \$4,901,297 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,491,862,965 = .33%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 52,215,204
Net Debt	4,901,297
Remaining Borrowing Power	<u>\$ 47,313,907</u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,800,064
Deductions:	
Operating, Maintenance and Debt Service Costs	1,623,168
Excess in Revenue	<u>\$ 176,896</u>

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

Green Acres Loan Payable

The Borough has entered into a loan agreement with the State of New Jersey for its Green Acres Loan Program. The Borough has "drawn-down" all of its Green Acres funds at this time.

Schedule of Changes in Debt Issued

	Balance 12/31/2009	Additions	Retirements	Balance 12/31/2010
General Capital Fund:				
Serial Bonds	\$ 4,202,000		\$ 270,000	\$ 3,932,000
Bond Anticipation Notes	813,000		26,000	787,000
Green Acres Loan	268,634		20,997	247,637
Sewer Utility Capital Fund:				
Serial Bonds	2,930,000		190,000	2,740,000
Bond Anticipation Notes	1,815,000		26,000	1,789,000
Total	<u>\$ 10,028,634</u>	<u>\$ -0-</u>	<u>\$ 532,997</u>	<u>\$ 9,495,637</u>

Schedule of General Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/21/2006	7/15/2011	1.00%	\$ 231,500
Acquisition of Land	7/18/2008	7/15/2011	1.00%	483,500
Paving Various Roads	7/16/2009	7/15/2011	1.00%	72,000
				<u>\$ 787,000</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

Schedule of Sewer Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
	<u>Original Note</u>	<u>Maturity</u>		
Sanitary Sewer System	7/18/2008	7/15/2011	1.00%	\$ 210,000
Sanitary Sewer System	7/16/2009	7/15/2011	1.00%	1,579,000
				<u>\$ 1,789,000</u>

General Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2010</u>				<u>Balance Dec. 31, 2009</u>	<u>Matured</u>	<u>Balance Dec. 31, 2010</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
General Bonds of 2006	8/15/06	08/01/11	\$ 285,000	4.000%	\$ 4,202,000	\$ 270,000	\$ 3,932,000
		08/01/12	295,000	4.000%			
		08/01/13	310,000	4.000%			
		08/01/14	325,000	4.000%			
		08/02/15	340,000	4.000%			
		08/03/16	355,000	4.000%			
		08/04/17	370,000	4.000%			
		08/05/18	385,000	4.000%			
		08/06/19	405,000	4.000%			
		08/07/20	420,000	4.000%			
		08/08/21	442,000	4.000%			

Utility Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2010</u>				<u>Balance Dec. 31, 2009</u>	<u>Matured</u>	<u>Balance Dec. 31, 2010</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
Sewer Bonds of 2006	8/15/06	08/01/11	\$ 200,000	4.000%	\$ 2,930,000	\$ 190,000	\$ 2,740,000
		08/01/12	205,000	4.000%			
		08/01/13	215,000	4.000%			
		08/01/14	225,000	4.000%			
		08/02/15	235,000	4.000%			
		08/03/16	250,000	4.000%			
		08/04/17	260,000	4.000%			
		08/05/18	270,000	4.000%			
		08/06/19	280,000	4.000%			
		08/07/20	295,000	4.000%			
		08/08/21	305,000	4.000%			

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Five Year Increments for Bonded Debt Issued and Outstanding

General Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 285,000	\$ 157,280	\$ 442,280
2012	295,000	145,880	440,880
2013	310,000	134,080	444,080
2014	325,000	121,680	446,680
2015	340,000	108,680	448,680
2016-2020	1,935,000	327,200	2,262,200
2021	442,000	17,680	459,680
	<u>\$ 3,932,000</u>	<u>\$ 1,012,480</u>	<u>\$ 4,944,480</u>

Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 200,000	\$ 109,600	\$ 309,600
2012	205,000	101,600	306,600
2013	215,000	93,400	308,400
2014	225,000	84,800	309,800
2015	235,000	75,800	310,800
2016-2020	1,355,000	228,000	1,583,000
2021	305,000	12,200	317,200
	<u>\$ 2,740,000</u>	<u>\$ 705,400</u>	<u>\$ 3,445,400</u>

Note 5: Pension Plans

Borough employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey. The State of New Jersey sponsors and administers these two plans which cover substantially all Borough employees. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

Note 5: Pension Plans (Cont'd)

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on percentages of 5.5% for PERS and 8.5% for PFRS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Three-Year Trend for PERS			
Year Funding December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 120,556	100.00%	\$ 120,556
2009	106,046	100.00%	106,046
2008	100,018	80.00%	80,014

Three-Year Trend for PFRS			
Year Funding December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 251,410	100.00%	\$ 251,410
2009	227,509	100.00%	227,509
2008	204,460	100.00%	204,460

Note 6: Other Post-Employment Benefits

In addition to the pension benefits described in Note 5, the Borough provides other post-employment benefits to certain employees after retirement, substantially similar in nature to the health benefits provided to employees presently working

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

Note 6: Other Post-Employment Benefits (cont'd)

The Borough contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

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

Municipal, Police and Fire 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.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

Note 6: Other Post-Employment Benefits (Cont'd)

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget.

In the event an employee qualifying under these conditions is eligible for Medicare coverage with supplemental coverage, the total cost of which amounts to less than fifty percent of the cost of the premium for hospital and surgical health insurance family coverage, or less than the cost of the premiums for hospital and surgical insurance individual coverage presently supplied by the Borough to its employees, such employee will be required to enroll in the Medicare supplemental coverage program, the cost of which will be reimbursable by the Borough.

The Borough's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget. During 2010 the Borough had ten retirees who met the eligibility requirements and recognized expenditures in the amount of \$68,478.

Note 7: Accrued Sick and Vacation Benefits

The Borough of Mendham does not permit its employees to accrue unused vacation and sick pay. However, the Borough does permit certain employees to accrue compensatory time off up to 40 hours for a lifetime total. It is estimated that the current cost of such unpaid compensation would approximate \$13,018. This amount is not reported either as an expenditure or liability. Such compensation would be included in the Borough's budget and operating expenditures in the year it is used.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered 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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

Note 8: Selected Tax Information (Cont'd)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Tax Rate</u>	\$ 1.899	\$ 1.525	\$ 1.460
<u>Apportionment of Tax Rate</u>			
Municipal	.408	.321	.305
County	.266	.225	.222
Local School	.732	.587	.566
Regional High School	.485	.386	.361
Municipal Open Space	.008	.006	.006
<u>Assessed Valuations</u>			
2010	<u>\$1,296,664,611</u>		
2009		<u>\$1,582,998,674</u>	
2008			<u>\$1,589,321,867</u>

The Borough reassessed its property values effective during 2010.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2010	\$ 24,650,522	\$ 24,466,292	99.25%
2009	24,234,855	23,983,850	98.96%
2008	23,219,554	22,942,831	98.80%

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 joint insurance fund as described below.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

Note 9: Risk Management (Cont'd)

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

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

Selected, summarized financial information for the Fund at December 31, 2010 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ 24,650,340
Net Assets	\$ 11,936,075
Total Revenue	\$ 16,716,288
Total Expenses	\$ 16,968,383
Change in Net Assets	\$ (252,095)
Net Assets Distribution to Participating Members	\$ -0-

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
250 Pehle Avenue , Suite 701
Saddle Brook, NJ 07663
(201) 587-0555

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	\$ 3,000	\$ 3,965	\$ 191	\$ 11,544	\$ 34,168
2009	3,000	3,852	185	11,917	38,556
2008	3,000	3,660	659	16,194	43,436

Note 10: Fund Balances Appropriated

Fund balances at December 31, 2010, which were appropriated and included as anticipated revenue for the year ending December 31, 2011, were as follows:

Current Fund	\$1,080,500
Sewer Utility Fund	215,000

Note 11: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the year ended December 31, 2010:

	<u>Balance Dec. 31, 2009</u>	<u>Additions</u>	<u>Balance Dec. 31, 2010</u>
Land	\$ 1,767,500		\$ 1,767,500
Buildings and Building Improvements	3,535,152		3,535,152
Machinery and Equipment	2,793,347		2,793,347
	<u>\$ 8,095,999</u>	<u>\$ -0-</u>	<u>\$ 8,095,999</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
 (Continued)

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, 2010 in the amount of \$280,000. 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, 2010.

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

Note 13: Sale of Water Utility Assets

During 1993, the Borough sold the fixed assets of the Water Utility to New Jersey American Water Company, Inc. (the "Company"). The Company operates the water system as a private water company. The Borough liquidated the assets of the Water Utility and dissolved the Fund in 1998. The assets of the water utility were divided between the current fund and the sewer utility operating fund. The Current Fund has a reserve for escrow deposits-sale of water utility assets of \$176,421 on its balance sheet at December 31, 2010.

Note 14: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2010, consisted of the following:

Litigation	\$ 280,000
Unappropriated Reserves	68,773
Master Plan	18,215
Tax Sale Premiums	6,600
Sale of Municipal Assets	478,107
Revaluation	11,319
Pending Tax Appeals	200,000
Escrow Deposits - Sale of Water Utility Assets	176,421
	<u>\$ 1,239,435</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

Note 15: 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 16: Open Space Trust Fund

The Borough created an Open Space Trust Fund with a 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 at December 31, 2010 was \$569,691.

**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
2010
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.

MENDHAM BOROUGH
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2010	2009
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,342,887	\$ 3,949,335
Change Fund	230	230
	<u>4,343,117</u>	<u>3,949,565</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	10,373	9,351
	<u>4,353,490</u>	<u>3,958,916</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	148,765	150,317
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Interfunds Receivable	20,219	20,601
	<u>171,884</u>	<u>173,818</u>
Total Receivables and Other Assets with Full Reserves		
Deferred Charges:		
Special Emergency Authorization	54,000	44,800
Emergency Authorization		67,500
		<u>67,500</u>
TOTAL ASSETS	<u><u>\$ 4,579,374</u></u>	<u><u>\$ 4,245,034</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 58,112	\$ 30,806
Unencumbered	574,775	628,269
Total Appropriation Reserves	<u>632,887</u>	<u>659,075</u>
Prepaid Taxes	240,408	190,355
Accounts Payable - Vendors	89,943	16,463
Other Liabilities	6,103	6,117
Interfund Payable	659	
Other Reserves	1,239,435	1,083,215
	<u>2,209,435</u>	<u>1,955,225</u>
Reserve for Receivables and Other Assets	171,884	173,818
Fund Balance	<u>2,198,055</u>	<u>2,115,991</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u><u>\$ 4,579,374</u></u>	<u><u>\$ 4,245,034</u></u>

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

<u>Revenue and Other Income Realized</u>	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Fund Balance Utilized	\$ 1,003,885	\$ 783,500
Miscellaneous Revenue Anticipated	996,491	1,142,359
Receipts from:		
Delinquent Taxes	150,158	164,576
Current Taxes	24,466,292	23,983,850
Nonbudget Revenue	350,511	292,742
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	331,760	150,404
Other Credits	804	1,890
Total Income	<u>27,299,901</u>	<u>26,519,321</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	6,563,971	6,459,792
County Taxes	3,445,658	3,555,631
Local School District Taxes	9,488,904	9,278,372
Regional School Taxes	6,286,631	6,115,443
Municipal Open Space Tax	109,594	109,594
Other Debits	319,194	1,238
Total Expenditures	<u>26,213,952</u>	<u>25,520,070</u>
 Excess in Revenue	1,085,949	999,251
 Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year		<u>67,500</u>
 Statutory Excess to Fund Balance	1,085,949	1,066,751
 <u>Fund Balance</u>		
Balance January 1	<u>2,115,991</u>	<u>1,832,740</u>
	3,201,940	2,899,491
Decreased by:		
Utilized as Anticipated Revenue	<u>1,003,885</u>	<u>783,500</u>
 Balance December 31	<u>\$ 2,198,055</u>	<u>\$ 2,115,991</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,003,885		\$ 1,003,885	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		6,300	
Interest and Costs on Taxes	45,000		51,679	\$ 6,679
Interest on Investments and Deposits	32,800		40,788	7,988
Energy Receipts Tax	499,493		499,256	237 *
Consolidated Municipal Property Tax Relief Aid	1,654		1,654	
Garden State Preservation Trust	1,036		1,036	
Uniform Construction Code Fees	70,000		124,699	54,699
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program	6,500	\$ 2,662	9,162	
Body Armor Fund		793	793	
Drunk Driving Enforcement Fund		2,359	2,359	
Reserve for Sale of Municipal Assets	75,000		75,000	
Fletcher Trust Fund	37,500		37,500	
Reserve to Pay Debt Service	120,000		120,000	
Other Trust Fund - Open Space Trust	26,265		26,265	
Total Miscellaneous Revenue	921,548	5,814	996,491	69,129
Receipts from Delinquent Taxes	100,000		150,158	50,158
Amount to be Raised by Taxes for Support of Municipal Budget	<u>5,291,000</u>		<u>5,810,505</u>	<u>519,505</u>
Budget Totals	7,316,433	5,814	7,961,039	<u>\$ 638,792</u>
Nonbudget Revenue			<u>350,511</u>	
	<u>\$ 7,316,433</u>	<u>\$ 5,814</u>	<u>\$ 8,311,550</u>	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Collection of Current Taxes	\$ 24,466,292
Allocated to:	
School, County, and Open Space Taxes	19,330,787
	<u>5,135,505</u>
Add: Appropriation "Reserve for Uncollected Taxes"	675,000
	<u>675,000</u>
Realized for Support of Municipal Budget	<u>\$ 5,810,505</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$ 150,158
	<u>\$ 150,158</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:	
Fees and Permits	\$ 44,620
Municipal Court Fines and Costs	87,850
Rents on Borough-Owned Properties	17,040
Cable Television Franchise Fees	55,496
Prior Year Insurance Refunds	33,106
High School Resource Officer reimbursement	51,425
Other Miscellaneous Income	60,974
	<u>60,974</u>
	<u>\$ 350,511</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010

	<u>Appropriations</u>		<u>Expended By</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operations Within "Caps":				
General Government:				
General Administration:				
Salaries and Wages	\$ 240,655	\$ 240,655	\$ 221,961	\$ 18,694
Other Expenses	54,200	54,200	48,271	5,929
Mayor and Council:				
Salaries and Wages	21,500	21,500	21,500	
Other Expenses	2,150	2,150	737	1,413
Municipal Clerk:				
Salaries and Wages	66,876	66,876	66,714	162
Financial Administration:				
Salaries and Wages	75,599	75,599	75,415	184
Other Expenses	21,295	21,295	3,548	17,747
Annual Audit	36,153	36,153		36,153
Computerized Data Processing	10,000	10,000	8,398	1,602
Tax Assessment Administration:				
Salaries and Wages	48,089	48,089	47,802	287
Other Expenses	11,800	12,300	12,269	31
Revenue Administration (Tax Collection):				
Salaries and Wages	29,994	29,994	28,124	1,870
Other Expenses	6,020	6,020	4,049	1,971
Legal Services and Costs:				
Other Expenses	80,000	80,000	45,237	34,763
Engineering Services and Costs:				
Other Expenses	103,200	103,200	91,111	12,089
Historic Preservation:				
Other Expenses	10,400	10,400	1,794	8,606
Public Buildings and Grounds:				
Salaries and Wages	109,860	109,860	106,880	2,980
Other Expenses	52,500	52,500	37,165	15,335

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operations Within "CAPS" (Cont'd):				
General Government (continued):				
Municipal Land Use Law(N.J.S.A.40:55D-1):				
Planning Board:				
Other Expenses	\$ 61,300	\$ 61,300	\$ 17,990	\$ 43,310
Board of Adjustment:				
Other Expenses	11,000	11,000	1,324	9,676
Insurance:				
Employee Group Health	493,901	493,901	483,956	9,945
Unemployment Compensation Insurance	2,000	2,000	2,000	
General Liability Insurance	45,100	45,100	40,577	4,523
Workmen's Compensation Insurance	75,000	75,000	75,000	
Public Safety:				
Police:				
Salaries and Wages	1,412,292	1,411,392	1,347,149	64,243
Other Expenses	96,025	96,025	67,317	28,708
Contractual Radio Dispatch	104,719	104,719	104,719	
Emergency Management Services	500			
Aid to Volunteer Fire Company	82,500	82,500	82,355	145
Aid to Volunteer Ambulance Company	35,300	35,300	27,815	7,485
Fire:				
Salaries and Wages	19,253	19,253	14,771	4,482
Other Expenses	103,000	103,000	92,959	10,041
Municipal Prosecutor:				
Other Expenses - Fees	14,420	14,420	14,000	420
Municipal Court:				
Salaries and Wages	85,705	86,605	86,520	85
Other Expenses	42,000	42,000	40,633	1,367
Public Defender - Other Expenses	1,545	1,545		1,545
Streets and Roads:				
Road Repairs and Maintenance:				
Salaries and Wages	370,137	370,137	329,505	40,632
Other Expenses	149,000	149,000	133,675	15,325

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operations Within "CAPS" (Cont'd):				
Streets and Roads (Cont'd):				
Shade Trees:				
Other Expenses	\$ 6,500	\$ 6,500	\$ 5,436	\$ 1,064
Kelley Act - Mendham Commons	8,000	8,000	3,843	4,157
Landfill/Solid Waste Disposal Costs:				
Salaries and Wages	9,934	11,434	10,949	485
Other Expenses	249,430	247,930	199,414	48,516
Other Expenses - Monitor Well Testing	3,300	3,300	1,410	1,890
Health and Welfare:				
Board of Health:				
Salaries and Wages	3,629	3,629	3,629	
Other Expenses - Miscellaneous	47,515	47,515	47,502	13
Visiting Nurse	5,777	5,777	5,777	
Environmental Commission:				
Other Expenses	8,080	8,080	1,886	6,194
Animal Control:				
Other Expenses	15,500	15,500	14,386	1,114
Welfare/Administration of Public Assistance:				
Salaries and Wages	2,800	2,800	2,769	31
Other Expenses	400	400		400
Contributions to Social Service Agency:				
MASH Van	23,969	23,969	17,198	6,771
Recreation and Education:				
Recreation:				
Salaries and Wages	17,510	17,510	16,855	655
Other Expenses	31,250	31,250	27,485	3,765
Parks and Playgrounds:				
Salaries and Wages	62,018	62,018	58,399	3,619
Other Expenses	21,000	21,000	17,684	3,316
Construction Code Official:				
Salaries and Wages	92,566	92,566	91,525	1,041
Other Expenses	7,175	7,175	2,845	4,330

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operations Within "CAPS" (Cont'd):				
Unclassified:				
Electricity	\$ 58,000	\$ 58,000	\$ 51,095	\$ 6,905
Street Lighting	30,000	30,000	27,822	2,178
Telephone	35,500	35,500	32,332	3,168
Water	7,500	7,500	6,153	1,347
Gas (Natural)	29,000	29,000	22,009	6,991
Gasoline	50,000	50,000	48,463	1,537
Salary Adjustment Account	73,395	73,395		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operations Within "CAPS"	5,084,736	5,084,736	4,500,106	511,235
Contingency	2,000	2,000	1,849	151
Total Operations Including Contingent Within "CAPS"	<hr/>	<hr/>	<hr/>	<hr/>
	5,086,736	5,086,736	4,501,955	511,386
Detail:				
Salaries and Wages	2,668,417	2,669,917	2,530,467	139,450
Other Expenses	2,418,319	2,416,819	1,971,488	371,936
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":				
Contributions to PERS	109,758	109,758	109,758	
Contributions to: Social Security System (O.A.S.I.)	202,498	202,498	195,719	6,779
Contributions to PFRS	235,472	235,472	235,472	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<hr/>	<hr/>	<hr/>	<hr/>
	547,728	547,728	540,949	6,779
Total General Appropriations for Municipal Purposes Within "CAPS"	<hr/>	<hr/>	<hr/>	<hr/>
	5,634,464	5,634,464	5,042,904	518,165
Operations Excluded from "CAPS":				
Employee Group Health Insurance	47,199	47,199	47,199	
Contributions to PERS	10,798	10,798	10,798	
Contributions to PFRS	15,938	15,938	15,938	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operations Excluded from "CAPS" (cont'd):				
Aid to Library	\$ 195,000	\$ 195,000	\$ 195,000	
Length of Service Award Program	50,000	50,000		\$ 50,000
Public and Private Programs Offset by Revenue:				
Clean Communities (NJSA 40A:4-87, \$2,662)	6,500	9,162	4,826	4,336
Body Armor Fund (NJSA 40A:4-87, \$793)		793		793
Drunk Driving Enforcement Fund (NJSA 40A:4-87, \$2,359)		2,359	878	1,481
Total Operations Excluded from "CAPS"	325,435	331,249	274,639	56,610
Detail:				
Other Expenses	325,435	331,249	274,639	56,610
Capital Improvements-Excluded from "CAPS" :				
Capital Improvement Fund	60,000	60,000	60,000	
Reserve for Improvements	50,000	50,000	50,000	
Total Capital Improvements Excluded from "CAPS"	110,000	110,000	110,000	
Municipal Debt Service Excluded from "CAPS":				
Payment of Bond Principal	270,000	270,000	270,000	
Payment of Bond Anticipation Notes	26,000	26,000	26,000	
Interest on Bonds	168,080	168,080	168,080	
Interest on Notes	22,889	22,889	13,008	
Green Trust Loan Program - Principal and Interest	26,265	26,265	26,265	
Total Municipal Debt Service Excluded from "CAPS"	513,234	513,234	503,353	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Deferred Charges - Municipal - Special Emergency Authorization	\$ 58,300	\$ 58,300	\$ 58,300	
Total Deferred Charges-Municipal- Excluded from "CAPS"	<u>58,300</u>	<u>58,300</u>	<u>58,300</u>	
Total General Appropriations Excluded from "CAPS"	<u>1,006,969</u>	<u>1,012,783</u>	<u>946,292</u>	\$ 56,610
Subtotal General Appropriations	6,641,433	6,647,247	5,989,196	574,775
Reserve for Uncollected Taxes	<u>675,000</u>	<u>675,000</u>	<u>675,000</u>	
Total General Appropriations	<u>\$ 7,316,433</u>	<u>\$ 7,322,247</u>	<u>\$ 6,664,196</u>	<u>\$ 574,775</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
 (Continued)

	Analysis of	
	Budget After Modification	Paid or Charged
Cash Disbursed		\$ 5,955,203
Reserve for Uncollected Taxes		675,000
Deferred Charges		58,300
Outstanding Encumbrances		58,112
Adopted Budget	\$ 7,316,433	
Adopted by NJSA 40A:4-87	5,814	
	7,322,247	6,746,615
Less: Appropriation Refunds		82,419
	\$ 7,322,247	\$ 6,664,196

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

Year	Balance	2010 Levy	Added Taxes	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2009			2009	2010				Dec. 31, 2010
2009	\$ 150,316		\$ 106		\$ 150,158			\$ 264	
2010		\$ 24,650,522		\$ 190,355	24,223,937	\$ 52,000	\$ 35,465		\$ 148,765
	<u>\$ 150,316</u>	<u>\$ 24,650,522</u>	<u>\$ 106</u>	<u>\$ 190,355</u>	<u>\$ 24,374,095</u>	<u>\$ 52,000</u>	<u>\$ 35,465</u>	<u>\$ 264</u>	<u>\$ 148,765</u>

Analysis of 2010 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 24,563,065
Business Personal Property Taxes	60,597
Added and Omitted Taxes	26,860
	<u>\$ 24,650,522</u>

Tax Levy:

Regional High School Taxes	\$ 6,286,631
Local School District Taxes	9,488,904
	\$ 15,775,535
County Taxes	3,441,882
Due County for Added and Omitted Taxes	3,776
	3,445,658
Municipal Open Space Tax	109,594
	19,330,787
Local Tax for Municipal Purposes Levied	5,291,000
Add: Additional Tax Levied	28,735
	5,319,735
	<u>\$ 24,650,522</u>

MENDHAM BOROUGH
CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2010

	Balance Dec. 31, 2009	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 3,131	\$ 3,131	\$ 366	\$ 2,765
Other Expenses	18,649	18,649	4,592	14,057
Mayor and Council:				
Other Expenses	1,503	1,503	29	1,474
Annual Audit	35,100	35,100	35,100	
Computerized Data Processing	1,379	1,379	538	841
Financial Administration:				
Salaries and Wages	355	355		355
Other Expenses	16,985	16,985	16,665	320
Assessment of Taxes:				
Other Expenses	373	373	370	3
Other Expenses - Revaluation	19,000	19,000	19,000	
Collection of Taxes:				
Other Expenses	1,887	1,887	381	1,506
Legal Services and Costs	33,925	33,925	32,934	991
Engineering Services and Costs:				
Other Expenses	11,464	11,464	5,589	5,875
Historic Preservation:				
Other Expenses	12,535	12,535	1,673	10,862
Public Buildings and Grounds:				
Salaries and Wages	535	535		535
Other Expenses	21,695	21,695	4,159	17,536
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	34,982	34,982	27,182	7,800
Board of Adjustment:				
Other Expenses	8,117	8,117	459	7,658
Insurance:				
Group Insurance Plan for Employees	16,014	16,014		16,014
Disability Insurance	1,675	1,675		1,675
Aid to Volunteer Ambulance Company	17,400	17,400	7,966	9,434
Fire:				
Other Expenses	12,775	12,775	11,508	1,267
Other Expenses - Fire Hydrants	8,248	8,248	8,205	43
Police:				
Salaries and Wages	87,736	87,736	9,292	78,444
Other Expenses	9,640	9,640	7,237	2,403
Office of Emergency Management:				
Other Expenses	500	500		500
Municipal Prosecutor	5,087	5,087	4,668	419
Roads Repairs and Maintenance:				
Salaries and Wages	35,011	35,011	6,173	28,838
Other Expenses	35,919	35,919	22,098	13,821
Street Lighting	4,132	4,132	2,325	1,807
Board of Health:				
Salaries and Wages	141	141		141
Other Expenses - Miscellaneous	120	120		120
Kelley Act - Mendham Commons	3,755	6,255	5,555	700

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2010

	Balance Dec. 31, 2009	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Dog Regulation:				
Other Expenses	\$ 3,120	\$ 3,120	\$ 1,140	\$ 1,980
Landfill/Solid Waste Disposal:				
Salaries and Wages	744	744	389	355
Other Expenses	44,996	44,996	19,718	25,278
Other Expenses - Monitor Well Testing	761	761	734	27
Environmental Commission:				
Other Expenses	4,054	4,054	23	4,031
Public Assistance:				
Other Expenses	235	235		235
Parks and Playgrounds:				
Salaries and Wages	1,745	1,745		1,745
Other Expenses	10,220	10,220	70	10,150
Recreation:				
Other Expenses	2,123	2,123		2,123
Senior Citizens Transportation	1,486	1,486	1,485	1
Shade Tree:				
Other Expenses	1,078	1,078		1,078
State Uniform Construction Code:				
Salaries and Wages	2,111	2,111	1,674	437
Other Expenses	3,896	3,896	1,262	2,634
Fire Official:				
Salaries and Wages	857	857	563	294
Other Expenses	687	687	363	324
Electricity	9,804	9,804	4,246	5,558
Telephone	4,002	4,002	3,791	211
Water	1,558	1,558	1,556	2
Natural Gas	11,964	11,964	4,125	7,839
Gasoline	31,265	28,765	8,631	20,134
Contingent	1,666	1,666	682	984
Contribution to:				
Social Security System (O.A.S.I.)	7,127	7,127	252	6,875
Municipal Court:				
Other Expenses	1	1		1
Length of Service Award Program	50,000	50,000	42,050	7,950
Public and Private Programs Offset by Revenue:				
Drunk Driving Enforcement Fund	497	497	497	
Body Armor Fund	158	158		158
Clean Communities Grant	3,152	3,152		3,152
	<u>\$ 659,075</u>	<u>\$ 659,075</u>	<u>\$ 327,315</u>	<u>\$ 331,760</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 628,269			
Encumbered	30,806			
Expenditures			\$ 251,456	
Accounts Payable			80,000	
Refunds			(4,141)	
	<u>\$ 659,075</u>		<u>\$ 327,315</u>	

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2010
GENERAL CAPITAL FUND

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

B

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	December 31,	
	2010	2009
Cash and Cash Equivalents	\$ 1,105,403	\$ 1,415,608
State Grants Receivable	17,526	35,026
Deferred Charges to Future Taxation:		
Funded	4,179,637	4,470,634
Unfunded	914,641	940,641
TOTAL ASSETS	\$ 6,217,207	\$ 6,861,909
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 3,932,000	\$ 4,202,000
Bond Anticipation Notes Payable	787,000	813,000
Green Acres Loan Payable	247,637	268,634
Improvement Authorizations:		
Funded	310,366	391,347
Unfunded	120,657	143,682
Due to Current Fund	506	988
Reserve For:		
Purchase of Fire Truck	114,500	114,500
Payment of Debt Service	192,981	312,981
Improvements	286,500	236,500
Phoenix House	70,477	70,477
Capital Improvement Fund	102,918	288,215
Fund Balance	51,665	19,585
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 6,217,207	\$ 6,861,909

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2009	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2010	
		Budget Appro- priation	Miscel- laneous	Improvement Authori- zations	Miscel- laneous	From	To		
Fund Balance	\$ 19,585		\$ 1,670			\$ 230,000	\$ 260,410	\$ 51,665	
Capital Improvement Fund	288,215	\$ 60,000				275,000	29,703	102,918	
Due Current Fund	988		8,289		\$ 8,771			506	
Due Other Trust Fund			22,500			22,500			
State Grant Receivable	(35,026)		17,500					(17,526)	
Reserve for Purchase of Fire Truck	114,500							114,500	
Reserve to Pay Debt Service	312,981				120,000			192,981	
Reserve for Phoenix House	70,477							70,477	
Reserve for Improvements	236,500	50,000						286,500	
<u>Improvement Authorizations:</u>									
<u>No.</u>	<u>Improvement Description</u>								
4-02/									
9-02	Various Improvements	(8,471)						(8,471)	
6-04	Various Improvements	12,535				12,535			
17-04	Various Improvements	(53,569)						(53,569)	
14-05	Various Improvements	16,032				16,032			
05-06	Various Improvements	228,056				228,056			
06-06	Various Improvements	63,103		\$ 8,047				55,056	
07-06	Various Improvements	24,728	1,000					25,728	
14-07									
7-09	Various Improvements	29,703				29,703			
09-08/	Various								
14-08	Improvements	57,951		15,636				42,315	
10-08	Pave Firehouse Parking Lot	14,651				14,651			
6-09	Purchase Safety Equipment	3,787				3,787			
8-09	Pave Various Roads	14,978		14,978					
10-09	Lowery Lane Paving	3,904		3,904					
01-10	Paving Various Roads			6,860			14,651	7,791	
05-10	Various Improvements			292,968			527,500	234,532	
		<u>\$ 1,415,608</u>	<u>\$ 110,000</u>	<u>\$ 50,959</u>	<u>\$ 342,393</u>	<u>\$ 128,771</u>	<u>\$ 832,264</u>	<u>\$ 832,264</u>	<u>\$ 1,105,403</u>

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION-UNFUNDED

Ord. No.	Improvement Description	Balance Dec. 31, 2009	Notes Paid By Budget Appropriation	Balance Dec. 31, 2010	Analysis of Balance at December 31, 2010		Unexpended Improvement Authori- zations
					Financed by Bond Antici- pation Notes	Expenditures	
4-02/							
9-02	Various Improvements	\$ 57,641		\$ 57,641		\$ 8,471	\$ 49,170
17-04	Various Improvements	70,000		70,000		53,569	16,431
06-06	Various Improvements	247,000	\$ 15,500	231,500	\$ 231,500		
21-07	Acquisition of Land	490,000	6,500	483,500	483,500		
8-09	Paving Various Roads	76,000	4,000	72,000	72,000		
		<u>\$ 940,641</u>	<u>\$ 26,000</u>	<u>\$ 914,641</u>	<u>\$ 787,000</u>	<u>\$ 62,040</u>	<u>\$ 65,601</u>
	Improvement Authorizations Unfunded						\$ 120,657
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:						
	Ord. No. 6-06						<u>55,056</u>
							<u>\$ 65,601</u>

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2009		2010 Authorizations		Transfers	Paid or Charged	Cancelled	Balance Dec. 31, 2010	
		Date	Amount	Funded	Unfunded	Capital Improve- ment Fund	Other Financing Sources				Funded	Unfunded
4-02/	Various Improvements	06/12/02	\$ 826,960									
9-02	Firefighter Equipment	8/19/02	150,000		\$ 49,170							\$ 49,170
6-04	Various Improvements	05/03/04	495,500	\$ 12,535						\$ 12,535		
17-04	Various Improvements	09/07/04	171,500		16,431							16,431
14-05	Various Improvements	05/16/05	463,000	16,032						16,032		
05-06	Various Improvements	06/05/06	1,450,000	228,056						228,056		
06-06	Various Improvements	06/05/06	310,000		63,103				\$ 8,047			55,056
07-06	Various Improvements	06/05/06	102,000	24,728					(1,000)		\$ 25,728	
14-07												
/7-09	Various Improvements	06/18/07	147,000	29,703						29,703		
09-08/	Various											
14-08	Improvements	06/02/08	240,000	57,951					15,636			42,315
10-08	Pave Firehouse Parking Lot	06/02/08	132,000	14,651			\$ (14,651)					
6-09	Purchase Safety Equipment	06/01/09	55,000	3,787						3,787		
8-09	Paving Various Roads	06/15/09	76,000		14,978				14,978			
10-09	Lowery Lane Paving	06/15/09	70,000	3,904					3,904			
01-10	Paving Various Roads	02/01/10	14,651				14,651		6,860			7,791
05-10	Various Improvements	05/17/10	527,500			\$ 275,000	\$ 252,500		292,968			234,532
				\$ 391,347	\$ 143,682	\$ 275,000	\$ 252,500	\$ -0-	\$ 341,393	\$ 290,113	\$ 310,366	\$ 120,657

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

Balance December 31, 2009	\$	268,634
Less: Principal matured		20,997
Balance December 31, 2010	\$	247,637

Schedule of Principal and Interest Payments Outstanding Green Acres Trust Loan:

Due	Principal	Interest	Loan Balance
			\$ 247,637
2/18/2011	\$ 10,656	\$ 2,476	236,981
8/18/2011	10,763	2,370	226,218
2/18/2012	10,870	2,262	215,348
8/18/2012	10,979	2,153	204,369
2/18/2013	11,089	2,044	193,281
8/18/2013	11,200	1,933	182,081
2/18/2014	11,312	1,821	170,769
8/18/2014	11,425	1,708	159,345
2/18/2015	11,539	1,593	147,806
8/18/2015	11,654	1,478	136,151
2/18/2016	11,771	1,362	124,381
8/18/2016	11,889	1,244	112,492
2/18/2017	12,007	1,125	100,485
8/18/2017	12,128	1,005	88,357
2/18/2018	12,249	884	76,108
8/18/2018	12,371	761	63,737
2/18/2019	12,495	637	51,242
8/18/2019	12,620	512	38,622
2/18/2020	12,746	386	25,876
8/18/2020	12,874	259	13,002
2/18/2021	13,002	130	
	\$ 247,637	\$ 28,143	

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

Ord. No.	Improvement Description	Original Amount Issued	Issue of Original Note	Date of		Interest Rate	Balance Dec. 31, 2009	Issued	Matured	Balance Dec. 31, 2010
				Issue	Maturity					
6-06	Various Improvements	\$ 295,000	07/21/06	07/16/09 07/15/10	07/16/10 07/15/11	1.60% 1.00%	\$ 247,000	\$ 231,500	\$ 247,000	\$ 231,500
21-07	Acquisition of Land	497,000	07/18/08	07/16/09 07/15/10	07/16/10 07/15/11	1.60% 1.00%	490,000	483,500	490,000	483,500
8-09	Paving Various Roads	76,000	07/16/09	07/16/09	07/16/10	1.60%	76,000		76,000	
8-09	Paving Various Roads	76,000	07/16/09	07/15/10	07/15/11	1.00%		72,000		72,000
							<u>\$ 813,000</u>	<u>\$ 787,000</u>	<u>\$ 813,000</u>	<u>\$ 787,000</u>
Renewals								\$ 787,000	\$ 787,000	
Funded by Budget Appropriation									26,000	
							<u>\$ 787,000</u>	<u>\$ 813,000</u>		

MENDHAM BOROUGH
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities at December 31, 2010		Interest Rate	Balance Dec. 31, 2009	Matured	Balance Dec. 31, 2010
		Date of Maturity	Amount				
General Bonds of 2006	8/15/2006	08/01/2011	\$ 285,000	4.000%			
		08/01/2012	295,000	4.000%			
		08/01/2013	310,000	4.000%			
		08/01/2014	325,000	4.000%			
		08/02/2015	340,000	4.000%			
		08/03/2016	355,000	4.000%			
		08/04/2017	370,000	4.000%			
		08/05/2018	385,000	4.000%			
		08/06/2019	405,000	4.000%			
		08/07/2020	420,000	4.000%			
		08/08/2021	442,000	4.000%			
					\$ 4,202,000	\$ 270,000	\$ 3,932,000
					<u>\$ 4,202,000</u>	<u>\$ 270,000</u>	<u>\$ 3,932,000</u>

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

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
4-02/ 9-02	Various Improvements	\$ 57,641	\$ 57,641
17-04	Various Improvements	<u>70,000</u>	<u>70,000</u>
		<u>\$ 127,641</u>	<u>\$ 127,641</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2010
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, 2010
(With Comparative Totals for 2009)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2010	2009
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 3,676	\$ 1,520,181	\$ 10,936	\$ 32,493	\$ 1,567,286	\$ 1,649,808
TOTAL ASSETS	\$ 3,676	\$ 1,520,181	\$ 10,936	\$ 32,493	\$ 1,567,286	\$ 1,649,808
<u>LIABILITIES AND RESERVES</u>						
Interfunds Payable		\$ 17,626			\$ 17,626	\$ 17,204
Payroll Deductions and Withholdings				\$ 32,493	32,493	73,881
Reserve for Animal Control Fund Expenditures	\$ 3,676				3,676	3,645
Reserve for Other Trust Funds		1,502,555			1,502,555	1,543,412
Reserve for Public Assistance			\$ 10,936		10,936	11,666
TOTAL LIABILITIES AND RESERVES	\$ 3,676	\$ 1,520,181	\$ 10,936	\$ 32,493	\$ 1,567,286	\$ 1,649,808

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

Balance December 31, 2009	\$	3,645
Increased by:		
License Fees Collected		3,782
		7,427
Decreased by:		
Expenditures Under R.S.4:19-15.11		3,751
		3,751
Balance December 31, 2010	\$	3,676

License Fees Collected

<u>Year</u>	<u>Amount</u>
2008	\$ 3,585
2009	4,247
	7,832
Maximum Allowable Reserve	\$ 7,832

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2009	Receipts	Disbursements	Balance Dec. 31, 2010
Reserve for:				
Special Deposits	\$ 137,022	\$ 1,537	\$ 44,007	\$ 94,552
Special Engineering Deposits	57,889	6,630	12,527	51,992
Andrew Fletcher Trust Fund	362,243		37,500	324,743
State Unemployment Trust Fund	38,556	7,156	11,544	34,168
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,809	94		2,903
Police Assets Forfeiture	1,521	8	8	1,521
Police Special Duty	30,484	124,704	128,848	26,340
Recreation Fund	95,932	79,935	74,286	101,581
Recycling Tonnage Fund	91,374	9,364	4,815	95,923
Landfill Closure Escrow	1,175	1		1,176
Open Space	505,517	113,431	49,257	569,691
Housing Trust	168,834	43,597	90,846	121,585
Other Trust Funds	46,768	87,405	61,081	73,092
	<u>1,543,412</u>	<u>473,862</u>	<u>514,719</u>	<u>1,502,555</u>
Total	<u>\$ 1,543,412</u>	<u>\$ 473,862</u>	<u>\$ 514,719</u>	<u>\$ 1,502,555</u>

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BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2009		\$ 11,666
Increased by Receipts:		
Interest	\$ 53	
State Aid	<u>3,400</u>	
		<u>3,453</u>
		15,119
Decreased by Disbursements:		
Due to Current Fund	53	
Public Assistance II:		
Assistance Eligible for State Aid	<u>4,130</u>	
		<u>4,183</u>
Balance December 31, 2010		<u><u>\$ 10,936</u></u>

BOROUGH OF MENDHAM
PAYROLL FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2010

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 73,881	\$ 4,242,388	\$ 4,283,776	\$ 32,493
TOTAL ASSETS	<u>\$ 73,881</u>	<u>\$ 4,242,388</u>	<u>\$ 4,283,776</u>	<u>\$ 32,493</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 73,881	\$ 4,242,388	\$ 4,283,776	\$ 32,493
TOTAL LIABILITIES	<u>\$ 73,881</u>	<u>\$ 4,242,388</u>	<u>\$ 4,283,776</u>	<u>\$ 32,493</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2010
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

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BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
COMPARATIVE BALANCE SHEET

	Sewer Utility Operating Fund December 31,	
	2010	2009
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,165,489	\$ 1,050,314
Change Fund	100	100
	1,165,589	1,050,414
Due from Sewer Utility Capital Fund	8,503	8,761
Receivables with Full Reserves:		
Consumer Accounts Receivable	124,865	104,797
TOTAL ASSETS	\$ 1,298,957	\$ 1,163,972
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves:		
Unencumbered	\$ 276,327	\$ 243,017
Encumbered	26,166	15,066
Total Appropriation Reserves	302,493	258,083
Interfunds Payable	2,087	2,409
Accounts Payable - Vendors	27,296	27,298
Accrued Interest on Bonds and Notes	56,673	57,678
Sewer Rent Overpayments	66	66
	388,615	345,534
Reserve for Receivables	124,865	104,797
Fund Balance	785,477	713,641
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 1,298,957	\$ 1,163,972

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

	Sewer Utility Operating Fund Year Ended December 31,	
	<u>2010</u>	<u>2009</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 200,000	\$ 200,000
Sewer Fees and Charges	1,570,868	1,601,824
Miscellaneous Revenue	29,196	25,513
Other Credits to Income:		
Collection of Reserved Receivable		402
Unexpended Balance of Appropriation Reserves	<u>169,940</u>	<u>105,400</u>
Total Income	<u>1,970,004</u>	<u>1,933,139</u>
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,226,933	1,196,518
Capital Improvements	75,000	75,000
Debt Service	361,235	311,703
Statutory Expenditures	<u>35,000</u>	<u>31,100</u>
Total Expenditures	<u>1,698,168</u>	<u>1,614,321</u>
Excess in Revenue	271,836	318,818
<u>Fund Balance</u>		
Balance January 1	<u>713,641</u>	<u>594,823</u>
	985,477	913,641
Decreased by:		
Utilized as Anticipated Revenue	<u>200,000</u>	<u>200,000</u>
Balance December 31	<u>\$ 785,477</u>	<u>\$ 713,641</u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2010

	Sewer Utility Operating Fund	
	<u>Anticipated</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 200,000	\$ 200,000
Sewer Fees and Charges	1,481,173	1,570,868
Miscellaneous Revenue	<u>25,000</u>	<u>29,196</u>
	<u>\$ 1,706,173</u>	<u>\$ 1,800,064</u>

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 16,692
Sewer Inspection Fees	4,979
Delinquent Payment Penalties	<u>7,525</u>
	<u>\$ 29,196</u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010

	Sewer Utility Operating Fund				Unex- pended Balance Cancelled
	Appropriations		Expended by		
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 431,771	\$ 431,771	\$ 407,881	\$ 23,890	
Other Expenses	795,162	795,162	545,379	249,783	
Total Operating	<u>1,226,933</u>	<u>1,226,933</u>	<u>953,260</u>	<u>273,673</u>	
Capital Improvements:					
Capital Improvement Fund	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>		
Debt Service:					
Payment of Bond					
Anticipation Notes	26,000	26,000	26,000		
Payment of Bond Principal	190,000	190,000	190,000		
Interest on Bonds	117,200	117,200	114,327		\$ 2,873
Interest on Notes	36,040	36,040	30,908		5,132
Total Debt Service	<u>369,240</u>	<u>369,240</u>	<u>361,235</u>		<u>8,005</u>
Statutory Expenditures:					
Social Security System (O.A.S.I.)	34,000	34,000	31,346	2,654	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	1,000	1,000	1,000		
Total Statutory Expenditures	<u>35,000</u>	<u>35,000</u>	<u>32,346</u>	<u>2,654</u>	
	<u>\$ 1,706,173</u>	<u>\$ 1,706,173</u>	<u>\$ 1,421,841</u>	<u>\$ 276,327</u>	<u>\$ 8,005</u>

Analysis of Paid or Charged:

Cash Disbursed	\$ 1,250,544
Accrued Interest on Debt	145,235
Outstanding Encumbrances	26,166
	<u>1,421,945</u>
Less: Appropriation Refunds	103
	<u>\$ 1,421,842</u>

BOROUGH OF MENDHAM
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2009	\$ 104,797
Increased by:	
Sewer Charges Levied	1,590,936
	<u>1,695,733</u>
Decreased by:	
Collections	1,570,868
	<u>1,570,868</u>
Balance December 31, 2010	<u>\$ 124,865</u>

BOROUGH OF MENDHAM
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2010

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 39,537	\$ 39,537	\$ 1,882	\$ 37,655
Other Expenses	<u>218,546</u>	<u>218,546</u>	<u>86,261</u>	<u>132,285</u>
	<u>\$ 258,083</u>	<u>\$ 258,083</u>	<u>\$ 88,143</u>	<u>\$ 169,940</u>
 <u>Analysis of Balance:</u>				
Unencumbered	\$ 243,017			
Encumbered	<u>15,066</u>			
	<u>\$ 258,083</u>			
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			<u>\$ 88,143</u>	
			<u>\$ 88,143</u>	

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

Balance December 31, 2009	\$ 57,678
Increased by:	
Charged to Current Year Budget	<u>145,235</u>
	202,913
Decreased by:	
Interest Paid	<u>146,240</u>
Balance December 31, 2010	<u><u>\$ 56,673</u></u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2010
UTILITY CAPITAL FUNDS

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

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BOROUGH OF MENDHAM
UTILITY CAPITAL FUNDS
COMPARATIVE BALANCE SHEET

	Sewer Utility Capital Fund December 31,	
	2010	2009
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,076,152	\$ 1,822,888
Due from Current Fund	659	
Fixed Capital	12,253,620	12,253,620
Fixed Capital Authorized and Uncompleted	2,620,870	2,620,870
 TOTAL ASSETS	 \$ 15,951,301	 \$ 16,697,378
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 2,740,000	\$ 2,930,000
Bond Anticipation Notes Payable	1,789,000	1,815,000
Due to Sewer Utility Operating Fund	8,503	8,761
Improvement Authorizations:		
Funded	146,170	153,856
Unfunded	663,195	1,462,901
Reserve for:		
Amortization	9,513,620	9,323,620
Deferred Amortization	831,870	805,870
Capital Improvement Fund	93,417	128,005
Fund Balance	165,526	69,365
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 \$ 15,951,301	 \$ 16,697,378

BOROUGH OF MENDHAM
SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH

	<u>Receipts</u>		<u>Disbursements</u>		<u>Transfers</u>		<u>Balance</u> <u>Dec. 31, 2010</u>		
	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Miscel- laneous</u>	<u>Budget</u> <u>Appropriation</u>	<u>Improvement</u> <u>Authori- zations</u>	<u>Miscel- laneous</u>	<u>From</u>		<u>To</u>	
Capital Fund Balance	\$ 69,365	\$ 3,717					\$ 92,444	\$ 165,526	
Capital Improvement Fund	128,005		\$ 75,000			\$ 171,000	61,412	93,417	
Due (from)/to Current Fund						659		(659)	
Due (from)/to Sewer Utility Operating Fund	8,761				\$ 258			8,503	
<u>Improvement Authorizations:</u>									
Ord.									
<u>No.</u>	<u>Improvement Description</u>								
8-06	Improvement of Sanitary Sewer System	92,444				92,444			
13-07	Improvement of Sanitary Sewer System	47,567				47,567			
07-08	Tempe Wick Pump Station	156,487		\$ 7,639				148,848	
08-08	Various Improvements	13,845				13,845			
09-09	Improvement of Sanitary Sewer System	1,306,414		792,067				514,347	
04-10	Improvement of Sanitary Sewer System			24,830			171,000	146,170	
		<u>\$ 1,822,888</u>	<u>\$ 3,717</u>	<u>\$ 75,000</u>	<u>\$ 824,536</u>	<u>\$ 258</u>	<u>\$ 325,515</u>	<u>\$ 324,856</u>	<u>\$ 1,076,152</u>

MENDHAM BOROUGH
UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	<u>Maturities at December 31, 2010</u>			Interest Rate	Balance Dec. 31, 2009	Matured	Balance Dec. 31, 2010
		Date of Maturity	Amount					
Sewer Bonds of 2006	8/15/2006	08/01/2011	\$ 200,000		4.000%			
		08/01/2012	205,000		4.000%			
		08/01/2013	215,000		4.000%			
		08/01/2014	225,000		4.000%			
		08/02/2015	235,000		4.000%			
		08/03/2016	250,000		4.000%			
		08/04/2017	260,000		4.000%			
		08/05/2018	270,000		4.000%			
		08/06/2019	280,000		4.000%			
		08/07/2020	295,000		4.000%			
		08/08/2021	305,000		4.000%	\$ 2,930,000	\$ 190,000	\$ 2,740,000
						<u>\$ 2,930,000</u>	<u>\$ 190,000</u>	<u>\$ 2,740,000</u>

BOROUGH OF MENDHAM
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2010

Ord. No.	Improvement Description	Ordi- nance	Date of		Interest Rate	Balance Dec. 31, 2009	Issued	Matured	Balance Dec. 31, 2010
			Issue of Original Note	Issue					
07-08	Improvement of Sanitary Sewer System	08/18/03	07/18/08	07/16/09 07/15/10	07/16/10 07/15/11	1.60% 1.00%	\$ 215,000	\$ 215,000 \$ 210,000	\$ 210,000
09-09	Improvement of Sanitary Sewer System	06/15/09	07/16/09	07/16/09 07/15/10	07/16/10 07/15/11	1.60% 1.00%	1,600,000	1,600,000 1,579,000	1,579,000
							<u>\$ 1,815,000</u>	<u>\$ 1,789,000</u>	<u>\$ 1,789,000</u>
								Renewals Paid By Budget Appropriation	
								\$ 1,789,000 26,000	\$ 1,789,000
							<u>\$ 1,789,000</u>	<u>\$ 1,815,000</u>	

BOROUGH OF MENDHAM
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2009		2010 Authorizations Other Financing Sources	Paid or Charged	Authori- zations Cancelled	Balance Dec. 31, 2010	
		Date	Amount	Funded	Unfunded	Funded			Unfunded	
8-06	Improvement of Sanitary Sewer System	06/05/06	250,000	\$ 92,444				\$ 92,444		
13-07	Improvement of Sanitary Sewer System	06/18/07	274,370	47,567				47,567		
07-08	Tempe Wick Pump Station	06/02/08	220,000		\$ 156,487		\$ 7,639			\$ 148,848
08-08	Various Improvements	06/02/08	46,500	13,845				13,845		
09-09	Improvement of Sanitary Sewer System	06/15/09	1,600,000		1,306,414		792,067			514,347
04-10	Improvement of Sanitary Sewer System	05/01/10	171,000			\$ 171,000	24,830		\$ 146,170	
				<u>\$ 153,856</u>	<u>\$ 1,462,901</u>	<u>\$ 171,000</u>	<u>\$ 824,536</u>	<u>\$ 153,856</u>	<u>\$ 146,170</u>	<u>\$ 663,195</u>

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

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2009	Notes Paid From Operating Budget	Balance Dec. 31, 2010
13-05	Improvement of Sanitary Sewer System	05/02/05	\$ 230,000		\$ 230,000
8-06	Improvement of Sanitary Sewer System	06/05/06	250,000		250,000
13-07	Improvement of Sanitary Sewer System	06/18/07	274,370		274,370
07-08	Tempe Wick Pump Station	06/02/08	5,000	\$ 5,000	10,000
08-08	Various Improvements	06/02/08	46,500		46,500
09-09	Improvement of Sanitary Sewer System	06/15/09		21,000	21,000
			<u>\$ 805,870</u>	<u>\$ 26,000</u>	<u>\$ 831,870</u>

BOROUGH OF MENDHAM
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2010

Not Applicable

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2010
GENERAL FIXED ASSETS ACCOUNT GROUP
(Unaudited)

These accounts were established with estimated values of land, buildings, and certain other fixed assets of the Borough.

BOROUGH OF MENDHAM
SCHEDULE OF GENERAL FIXED ASSETS
DECEMBER 31, 2010 AND 2009
(Unaudited)

<u>GENERAL FIXED ASSETS:</u>	<u>2010</u>	<u>2009</u>
Assets:		
Land	\$ 1,767,500	\$ 1,767,500
Buildings and building improvements	3,535,152	3,535,152
Machinery and equipment	<u>2,793,347</u>	<u>2,793,347</u>
Total Assets	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>
 RESERVES:		
Reserve for General Fixed Assets	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>

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

	Balance Dec. 31, 2009	Additions	Balance Dec. 31, 2010
General Fund	\$ 6,417,568		\$ 6,417,568
General Capital Fund	1,513,312		1,513,312
Sewer Utility Operating Fund	10,664		10,664
Sewer Utility Capital Fund	154,455		154,455
Total	<u>\$ 8,095,999</u>	<u>\$ -0-</u>	<u>\$ 8,095,999</u>

STATISTICAL SECTION

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

EXPENDITURES	Fiscal Years Ended December 31.									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Current Fund:										
General Government	\$ 1,345,653	\$ 1,435,703	\$ 1,561,326	\$ 1,674,988	\$ 2,006,152	\$ 1,907,578	\$ 1,990,096	\$ 2,011,180	\$ 2,263,399	\$ 2,299,768
Public Safety	1,160,610	1,245,776	1,307,626	1,395,902	1,509,741	1,657,036	1,788,725	1,833,375	1,922,738	2,009,073
Streets and Roads	740,712	759,005	774,564	799,554	778,251	777,010	856,237	864,861	779,013	796,301
Health and Welfare	88,869	90,800	82,370	83,549	92,578	102,193	104,143	121,322	111,891	107,670
Recreation and Education	132,797	117,592	122,292	121,614	107,650	154,124	140,553	122,130	132,696	131,778
Deferred Charges and Statutory Expenditures	180,480	152,360	172,266	212,596	223,822	333,748	386,310	519,274	574,955	606,028
Capital	60,362	34,848	71,000	24,775	51,000	299,500	222,000	200,000	170,000	110,000
Debt Service	397,105	375,908	421,312	471,635	484,720	128,265	492,440	491,596	505,100	503,363
Reserve for Uncollected Taxes	335,000	335,000	335,000	358,500	358,500	408,500	408,500	675,000	675,000	675,000
Current Fund Budget Totals	4,441,588	4,546,992	4,847,756	5,143,113	5,612,414	5,767,954	6,389,004	6,838,738	7,134,792	7,238,971
Utility Operating Funds:										
Utility Operations	865,348	851,770	936,579	976,540	1,121,382	1,098,416	1,125,916	1,083,058	1,196,618	1,226,933
Deferred Charges and Statutory Expenditures	224,000	259,100	33,900	23,800	28,370	28,370	28,370	30,500	31,000	35,000
Capital	97,500	200,000	310,000	88,000	200,000		125,000	125,000	75,000	75,000
Debt Service	151,364				72,411	97,510	305,960	304,473	311,703	361,235
Utility Operating Fund Budget Totals	1,338,212	1,310,870	1,280,479	1,088,340	1,422,163	1,224,296	1,585,246	1,543,031	1,614,321	1,698,168
County Taxes	2,461,638	2,644,092	2,957,903	3,154,007	3,249,425	3,260,505	3,483,249	3,506,129	3,555,631	3,445,658
Local and Regional School Taxes	9,944,710	10,721,720	11,307,041	12,043,221	12,792,306	13,396,736	14,028,609	14,700,147	15,393,815	15,775,535
Municipal Open Space Taxes	89,365	90,534	108,155	108,376	109,594	109,594	109,594	109,594	109,594	109,594
Other Expenditures	142,580	64,000	1,086	32,545	70,610	66,344	85,412	235,133	1,238	319,194
TOTAL EXPENDITURES	\$ 18,418,093	\$ 19,378,208	\$ 20,502,420	\$ 21,569,602	\$ 23,256,512	\$ 23,825,429	\$ 25,681,114	\$ 26,932,772	\$ 27,809,391	\$ 28,587,120

Source: Borough records.

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

REVENUE	Fiscal Years Ended December 31,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Current Fund:										
Fund Balance Anticipated	\$ 900,000	\$ 938,653	\$ 1,066,813	\$ 1,066,813	\$ 900,000	\$ 600,000	\$ 600,000	\$ 700,000	\$ 783,500	\$ 1,003,885
Miscellaneous Revenue	1,275,296	1,062,828	1,150,053	1,241,943	1,304,971	1,394,093	1,524,493	1,222,480	1,142,359	996,491
Receipts from Delinquent Taxes	201,154	156,715	168,317	212,853	199,894	126,782	151,948	128,816	164,576	150,158
Receipts from Current Taxes	2,700,271	2,860,618	2,795,568	3,187,326	3,644,734	4,176,930	4,501,722	5,301,961	5,599,810	5,810,505
Current Fund Budget Totals	<u>5,076,721</u>	<u>5,018,814</u>	<u>5,180,751</u>	<u>5,708,935</u>	<u>6,049,599</u>	<u>6,297,805</u>	<u>6,778,163</u>	<u>7,353,257</u>	<u>7,690,245</u>	<u>7,961,039</u>
Utility Operating Funds:										
Fund Balance Anticipated	268,623	327,602	327,602	200,000	459,317	175,296	175,000	150,000	200,000	200,000
Water and Sewer Rents	899,289	1,156,860	1,010,109	1,020,840	1,019,487	1,048,869	1,370,880	1,605,808	1,601,824	1,570,868
Miscellaneous Revenue	72,579	30,464	21,560	30,634	64,069	54,087	52,030	28,152	25,513	29,196
Utility Operating Fund Budget Totals	<u>1,240,491</u>	<u>1,514,926</u>	<u>1,359,271</u>	<u>1,251,474</u>	<u>1,542,873</u>	<u>1,278,252</u>	<u>1,597,910</u>	<u>1,783,960</u>	<u>1,827,337</u>	<u>1,800,064</u>
Non-Budget Revenues	153,569	177,276	176,909	172,355	201,400	205,839	345,170	347,193	292,742	350,511
Other Credits to Income	407,907	369,583	182,525	220,434	220,891	289,638	348,908	484,484	258,096	502,504
Taxes Allocated to School, County and Open Space	12,495,713	13,456,346	14,373,099	15,305,604	16,151,325	16,766,835	17,621,452	18,315,870	19,059,040	19,330,787
TOTAL REVENUE	<u>\$ 19,374,401</u>	<u>\$ 20,536,945</u>	<u>\$ 21,272,555</u>	<u>\$ 22,658,802</u>	<u>\$ 24,166,088</u>	<u>\$ 24,838,369</u>	<u>\$ 26,691,603</u>	<u>\$ 28,284,764</u>	<u>\$ 29,127,460</u>	<u>\$ 29,944,905</u>

Source: Borough records.

Table 3

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

Fiscal 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
2001	\$ 15,065,445	\$ 14,860,984	98.64%	\$ 201,154	\$ 15,062,138	99.98%	\$ 169,030	1.12%
2002	16,236,756	15,981,964	98.43%	156,715	16,138,679	99.40%	168,317	1.04%
2003	17,079,174	16,833,667	98.56%	168,317	17,001,984	99.55%	212,853	1.25%
2004	18,342,098	18,134,430	98.86%	212,853	18,347,283	100.03%	199,894	1.09%
2005	19,585,156	19,437,559	99.24%	199,894	19,637,453	100.27%	126,782	0.65%
2006	20,846,498	20,535,265	98.50%	126,782	20,662,047	99.12%	151,948	0.73%
2007	22,138,875	21,714,674	98.08%	151,948	21,866,622	98.77%	231,075	1.04%
2008	23,219,554	22,942,831	98.80%	128,816	23,071,647	99.36%	164,327	0.71%
2009	24,234,855	23,983,850	98.96%	164,576	24,148,426	99.64%	150,317	0.62%
2010	24,650,522	24,466,292	99.25%	150,158	24,616,450	99.86%	148,765	0.60%

Source: Tax Collector.

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

<u>Fiscal Year</u>	<u>West Morris Regional High School</u>	<u>Mendham School District</u>	<u>Mendham Borough</u>	<u>Morris County</u>	<u>Municipal Open Space</u>	<u>Total</u>
2001	\$ 0.686	\$ 0.986	\$ 0.401	\$ 0.412	\$ 0.015	\$ 2.500
2002	0.718	1.062	0.411	0.433	0.016	2.640
2003	0.749	1.082	0.423	0.478	0.018	2.750
2004	0.784	1.163	0.466	0.508	0.019	2.940
2005	0.804	1.242	0.517	0.518	0.019	3.100
2006	* 0.321	0.516	0.244	0.202	0.007	1.290
2007	0.340	0.538	0.278	0.218	0.006	1.380
2008	0.361	0.566	0.305	0.222	0.006	1.460
2009	0.386	0.587	0.321	0.225	0.006	1.525
2010	* 0.485	0.732	0.408	0.266	0.008	1.899

* - Revaluation year

Source: Tax Collector.

Table 5

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

<u>Fiscal Year</u>	<u>Net Assessed Valuation Taxable</u>	<u>Estimated Full Cash Valuations</u>	<u>Percent of Net Assessed to Estimated Full Cash Valuations</u>
2001	\$ 595,760,951	\$ 819,439,080	72.70%
2002	603,560,457	879,544,757	68.62%
2003	617,934,292	1,009,028,601	61.24%
2004	619,289,542	1,120,230,672	55.28%
2005	626,250,185	1,211,658,055	51.69%
2006 *	1,601,473,771	1,293,530,174	123.81%
2007	1,600,887,548	1,465,301,236	109.25%
2008	1,589,321,867	1,517,455,547	104.74%
2009	1,582,998,674	1,572,214,282	100.69%
2010 *	1,296,664,611	1,511,328,993	85.80%

* - Revaluation year

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2010 Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
V-Fee	Shopping Center	\$ 22,000,000	1.70%
Roxiticus Golf Club	Golf and Tennis Club	14,178,100	1.09%
Holly Manor Assoc. of NJ	Nursing Home	8,558,600	0.66%
Individual Taxpayer #1		6,430,800	0.50%
Individual Taxpayer #2		5,652,500	0.44%
Individual Taxpayer #3		5,379,200	0.41%
Individual Taxpayer #4		5,273,400	0.41%
Individual Taxpayer #5		4,766,400	0.37%
Individual Taxpayer #6		4,635,000	0.36%
Individual Taxpayer #7		<u>4,629,500</u>	<u>0.36%</u>
Total		<u>\$ 81,503,500</u>	<u>6.29%</u>

Source: Tax Collector.

Table 7

BOROUGH OF MENDHAM
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2010
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2010	\$ 1,409,626,853
2009	1,496,458,786
2008	<u>1,569,503,255</u>
	<u>\$ 4,475,588,894</u>
Average equalized valuation of taxable property	\$ 1,491,862,965
Borough borrowing margin (3.5% of \$1,491,862,965)	\$ 52,215,204
Net debt as of December 31, 2010	<u>4,901,297</u>
Borough borrowing margin available	<u>\$ 47,313,907</u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2010, 2009, and 2008.

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

<u>Fiscal Year</u>	<u>Population (*)</u>	<u>Assessed Value</u>	<u>Net General Obligation Debt</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Net General Obligation Debt Per Capita</u>
2001	5,077	\$ 595,760,951	\$ 2,571,493	0.43%	506
2002	5,097	603,560,457	3,084,206	0.51%	605
2003	5,098	617,934,292	4,068,512	0.66%	798
2004	5,108	619,289,542	4,034,274	0.65%	790
2005	5,109	626,250,185	3,672,019	0.59%	719
2006	5,079	1,601,473,771	5,255,019	0.33%	1,035
2007	5,031	1,600,887,548	6,086,449	0.38%	1,210
2008	5,054	1,589,321,867	5,088,236	0.32%	1,007
2009	5,058	1,582,998,674	4,970,653	0.31%	983
2010	5,058	1,296,664,611	4,901,297	0.38%	969

Source: Borough of Mendham Records

- (*) Information provided by U.S. Bureau of the Census, Population Division, 2010 numbers not available, used 2009 as an estimate.

Table 9

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2001	\$ 444,910	\$ 103,559	\$ 548,469	\$ 18,418,093	2.98%
2002	318,698	57,210	375,908	19,378,208	1.94%
2003	377,366	43,946	421,312	20,502,420	2.05%
2004	436,253	35,382	471,635	21,569,602	2.19%
2005	419,808	137,323	557,131	23,256,512	2.40%
2006	26,265	102,000	128,265	23,825,429	0.54%
2007	447,265	351,135	798,400	25,681,114	3.11%
2008	451,265	201,453	652,718	26,932,772	2.42%
2009	488,583	322,538	811,121	27,809,391	2.92%
2010	538,265	326,323	864,588	28,587,120	3.02%

Source: Borough of Mendham Records

Table 10

BOROUGH OF MENDHAM
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Unemployment Rate(**),(***)</u>	<u>Per Capita Income *</u>	<u>Population(*),(***)</u>
2001	1.20 %	\$ 56,673	5,077
2002	1.90 %	56,535	5,097
2003	1.90 %	57,018	5,098
2004	1.50 %	61,101	5,108
2005	1.50 %	63,297	5,109
2006	1.50 %	68,364	5,079
2007	1.40 %	71,300	5,031
2008	1.80 %	71,812	5,054
2009	3.20 %	N/A	5,058
2010	3.20 %	N/A	5,058

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 2010, used 2009 as an estimate
 N/A Information unavailable

Table 11

BOROUGH OF MENDHAM
MISCELLANEOUS STATISTICS
DECEMBER 31, 2010
UNAUDITED

Date of Incorporation		May 15, 1906
Form of Government		Borough
Number of Employees	Full Time	34
	Part Time	27
Area in square miles		6
Borough of Mendham Facilities and Services :		
Miles of streets		33.66
Number of street lights		205
Culture and Recreation:		
Community Centers		2
Parks		9
Park acreage		245
Tennis courts		4
Fire protection:		
Number of Stations		1
Number of Fire personnel and officers		48
Number of calls answered		173
Number of inspections conducted		342
Emergency medical services:		
Number of Stations		1
Number of Emergency medical personnel and officers		50
Number of calls answered		456
Police protection:		
Number of stations		1
Number of police personnel and officers		14
Number of patrol units		8
Number of law violations		
Physical Arrests		66
Traffic violations		1,161
Parking violations		263
Sewerage System:		
Miles of sanitary sewers		32
Number of Lift Stations		4
Number of treatment plants		1
Number of service connections		1,673
Daily average treatment in gallons		325,000
Permitted daily capacity of treatment plant in gallons		450,000
Water System		Privately Owned
Facilities and services not included in the primary government:		
Cable Television System:		
Miles of service		20
Number of satellite receiving stations		25
Education:		
Number of elementary schools		2
Employees:		
Certified		71
Other		25

Source - Various Borough offices and servicing entities

SINGLE AUDIT SECTION

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

Not Applicable

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
			From	To				
Department of Law and Public Safety	Body Armor Replacement Fund	98-718-066- 1020-001	01/01/09	12/31/11	\$ 1,176		\$ 1,018	\$ 1,018
			01/01/10	12/31/11	793	\$ 793		
	Drunk Driving Enforcement Fund	100-066-1110- 260-YYYY	01/01/09	12/31/10	1,869		497	1,869
			01/01/10	12/31/11	2,359	2,359	878	878
Subtotal - Department of Law and Public Safety						3,152	2,393	3,765
Department of Environmental Protection	Clean Communities Act	765-042-4900 004-178910	01/01/09	12/31/11	8,662			5,510
			01/01/10	12/31/11	9,162	9,162	4,826	4,826
Subtotal - Department of Environmental Protection						9,162	4,826	10,336
Department of Human Services:								
Work First New Jersey - General Assistance:		100-054-7550						
Client Assistance	General Assistance	121	01/01/10	12/31/10	4,130	3,400	4,130	4,130
TOTAL STATE AWARDS						\$ 15,714	\$ 11,349	\$ 18,231

N/A - not available

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

BOROUGH OF MENDHAM
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

A. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state financial award programs of the Borough. The Borough is defined in Note 1 to the Borough's financial statements. All federal and state financial award received directly from federal and state agencies, as well as federal and state financial awards passed through other government agencies are included on the Schedules of Expenditures of Federal and State Awards.

B. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the cash basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

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 LOAN OUTSTANDING

The Borough has the following loan outstanding as of December 31, 2010:

Green Acres Program	\$247,637
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The Borough is in the process of repaying this loan. There were no loan receipts or expenditures in the current year. The project related to the loan is complete.

Independent Auditors' Report on Internal Control Over Financial Reporting
and Compliance and Other Matters based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the Borough of Mendham, in the County of Morris (the "Borough") as of, and for the year ended, December 31, 2010 and have issued our report thereon dated June 17, 2011, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. The scope of our audit did not include the general fixed assets account group. We conducted our audit 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2010-01 and 2010-02 that we consider to be significant deficiencies in internal control over financial reporting. 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.

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

Compliance and Other Matters


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

The Borough's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Borough's responses and we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and Members of the Borough Council, and to meet the requirements for filing with the Division of Local Government Services, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
June 17, 2011


NISIVOCCIA LLP


Francis J. Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

Summary of Auditors' Results:

- A qualified report was issued on the Borough's financial statements prepared on an other comprehensive basis of accounting as we were unable to obtain sufficient evidence to support the cost of fixed assets.
- The audit did not disclose any noncompliance which is material to the Borough's financial statements.
- The audit did not disclose any material weaknesses in the internal controls of the Borough.
- The Borough was not subject to a Single Audit as grant expenditures were below the established threshold.

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

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards except as follows:

Finding 2010-1

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. The processing of payroll and the disbursement of funds is performed by one person. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. 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.

Finding 2010-2

The Borough does not maintain a fixed assets accounting and reporting system. A fixed asset accounting and reporting system is required to be in compliance with the Division's technical accounting directives. A fixed assets accounting and reporting system would be used to identify assets held by the Borough, their cost, acquisition date, location, and other pertinent information. In addition to maintaining records of acquisitions, disposals and movement of fixed assets, the system could possibly be used to aid in the planning for replacement of assets.

Management's Response

The findings were evaluated, however due to budgetary constraints no resolution can be made at this time. We will continue to monitor these two areas and look for ways to make improvements using the funds available to the Borough.

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not applicable since expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since expenditures were below the single audit threshold.

BOROUGH OF MENDHAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

The Borough had two findings in the prior year and those findings are repeated for the current year as listed on the Schedule of Findings and Questioned Costs.

**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, 2005, the bid threshold in accordance with N.J.S. 40A:11-4 is \$21,000 and with a qualified purchasing agent the bid threshold is \$29,000.

Effective July 1, 2010, the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is \$26,000, and with a qualified purchasing agent, the threshold may be up to \$36,000.

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 fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

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

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

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

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. In January 2010, the governing body adopted the 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, 2010. All eligible properties were included in the sale.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens (Cont'd)

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

<u>Year</u>	<u>Number of Liens</u>
2010	1
2009	0
2008	0

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2010 Taxes	25
Payments of 2011 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, 2010. 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.

Technical Accounting Directives

The Division of Local Government Services has established three (3) technical accounting directives which are prescribed by the draft "Requirements of Audit and Accounting". 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 technical accounting directives at December 31, 2010, except for the fixed assets records more fully described in the preceding Schedule of Findings and Questioned Costs.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The transactions for the year 2010 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance Dec. 31, 2009	Receipts	Dis- bursements	Balance Dec. 31, 2010
State of New Jersey	\$ 1,732	\$ 60,310	\$ 57,796	\$ 4,246
County	1,572	47,793	46,177	3,188
Municipality	2,707	91,051	87,847	5,911
Other Agencies	1,350	13,345	14,255	440
Municipality POAA	2	100	94	8
	<u>\$ 7,363</u>	<u>\$ 212,599</u>	<u>\$ 206,169</u>	<u>\$ 13,793</u>

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2009 audit report. The recommendations regarding segregation of duties and fixed assets are repeated from the 2009 report.

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. The Borough implement a fixed assets accounting and reporting system.

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