

# BOROUGH OF MENDHAM

Borough of Mendham  
County of Morris  
Mendham, New Jersey

Comprehensive Annual Financial Report  
For the Year Ended December 31, 2011

# Comprehensive Annual Financial Report

of the

## BOROUGH OF MENDHAM

### Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2011

Prepared by

Borough of Mendham  
Finance Department

BOROUGH OF MENDHAM  
TABLE OF CONTENTS  
FISCAL YEAR ENDED DECEMBER 31, 2011

INTRODUCTORY SECTION

Letter of Transmittal	1
Organizational Chart	8
Roster of Officials	9
Consultants and Advisors	10

FINANCIAL SECTION 11

Independent Auditors' Report	12-13
------------------------------	-------

FINANCIAL STATEMENTS 14

Combined Balance Sheet - All Fund Types and Account Groups	15
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - Current and Utility Operating Funds	16
Notes to Financial Statements	17-33

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS  
AND SCHEDULES 34

Current Fund:	35
A Comparative Balance Sheet	36
A-1 Comparative Statement of Operations and Change in Fund Balance	37
A-2 Statement of Revenue	38-39
A-3 Statement of Expenditures	40-46
A-4 Schedule of Taxes Receivable and Analysis of Property Tax Levy	47
A-5 Schedule of 2010 Appropriation Reserves	48-49
General Capital Fund:	50
B Comparative Balance Sheet	51
B-1 Analysis of Cash	52
B-2 Schedule of Deferred Charges to Future Taxation - Unfunded	53
B-3 Schedule of Improvement Authorizations	54
B-4 Schedule of Green Acres Loan Payable	55
B-5 Schedule of Bond Anticipation Notes Payable	56
B-6 Schedule of Serial Bonds Payable	57
B-7 Schedule of Bonds and Notes Authorized but not Issued	58
Trust Funds:	59
C Combining Balance Sheet	60
C-1 Schedule of Reserve for Animal Control Fund Expenditures	61
C-2 Schedule of Other Trust Reserves	62
C-3 Schedule of Reserve for Public Assistance	63
C-4 Statement of Changes in Assets and Liabilities - Payroll Fund	64
Utility Operating Funds:	65
D Comparative Balance Sheet	66
D-1 Comparative Statement of Operations and Changes in Fund Balance	67
D-2 Statement of Revenues	68
D-3 Statement of Expenditures	69
D-4 Schedule of Consumer Accounts Receivable - Sewer Utility Operating Fund	70
D-5 Schedule of 2010 Appropriation Reserves - Sewer Utility Operating Fund	71
D-6 Schedule of Accrued Interest on Bonds and Notes - Sewer Utility Operating Fund	72

BOROUGH OF MENDHAM  
TABLE OF CONTENTS  
FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)

<u>FINANCIAL SECTION (Cont'd)</u>	<u>Page</u>
COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES (Cont'd)	
Utility Capital Funds:	73
E Comparative Balance Sheet	74
E-1 Analysis of Cash - Sewer Utility Capital Fund	75
E-2 Schedule of Serial Bonds Payable - Sewer Utility Capital Fund	76
E-3 Schedule of Bond Anticipation Notes Payable - Sewer Utility Capital Fund	77
E-4 Schedule of Improvement Authorization - Sewer Utility Capital Fund	78
E-5 Schedule of Deferred Reserve for Amortization - Sewer Utility Capital Fund	79
E-6 Schedule of Bonds and Notes Authorized but not Issued - Sewer Utility Capital Fund (Not Applicable)	80
General Fixed Assets Account Group:	81
F Schedule of General Fixed Assets (Unaudited)	82
F-1 Schedule of Changes in General Fixed Assets (Unaudited)	83
<u>STATISTICAL SECTION</u>	84
Table	
1 Governmental Fund Expenditures by Function	85
2 Governmental Fund Revenue by Source	86
3 Property Tax Levies and Collections	87
4 Property Tax Rates - Direct and Overlapping Governments	88
5 Assessed and Estimated Actual Value of Property	89
6 Ten Largest Taxpayers	90
7 Computation of Legal Debt Margin	91
8 Ratio of Net General Obligation Debt to Assessed Value and Net General Obligation Debt Per Capita	92
9 Ratio of Debt Service for Bonded Debt (including Bond Anticipation Notes) to Government Expenditures	93
10 Demographic Statistics	94
11 Miscellaneous Statistics	95
<u>SINGLE AUDIT SECTION</u>	96
Schedule A - Schedule of Expenditures of Federal Awards	97
Schedule B - Schedule of Expenditures of State Awards	97
Note to Schedules of Expenditures of Federal and State Awards	98
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 <i>Government Auditing Standards</i>	99-100
Schedule of Findings and Responses	101-102
Summary Schedule of Prior Audit Findings	103
<u>COMMENTS AND RECOMMENDATIONS SECTION</u>	104
Comments and Recommendations	105-108
Summary of Recommendations	109

## 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

April 6, 2012

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, 2011, 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 2011 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 \$574,900. 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 of Mendham became a member of NJSEM (New Jersey Sustainable Energy Joint Meeting), and will benefit from the purchase of electricity and gas from third party suppliers at lower rates. Also, the Borough was approved by the New Jersey Clean Energy Program for the installation of a boiler and improvements to lighting fixtures at Police Headquarters and the Phoenix House.

A contract was entered into with RCC Consulting to conduct a telecommunications billing review and audit which resulted in a significant savings to the Borough. A new multi-year contract with Mendham Borough PBA #384 was negotiated. The contract takes effect January 1, 2011 and runs through December 31, 2014.

The Borough received a \$3,000 grant from the NJ State Forestry Service to help fund its Community Forestry Management Plan, a \$4,500 grant from the Morris County Preservation Trust for work on the expansion of the Historic District, and a \$4,825 grant from ANJEC for the Loop Trail Project.

The Borough now participates in "Single Stream Recycling" through its contract for collection of recyclable materials with the Morris County MUA. Also, by working together with Mendham Township and moving our recycling collection days to Thursday, we will receive a 5% discount on the cost of the service the County provides. Continuing discussions were held with Mendham Township on sharing services with the Public Works Departments.

Hurricane Irene struck in August. Documentation regarding man-hours, emergency power usage, equipment rental, tree removal and repair work is being provided to FEMA in order to recoup some of the cost for the damage the storm caused.

In October the NJ DEP conducted a facilities and plant audit of the Borough's Wastewater Treatment Facility. For the fourth consecutive year the facility passed without exception.

A severe storm hit New Jersey on October 29<sup>th</sup>, with the President declaring 8 New Jersey Counties (Morris among them) disaster areas. The storm caused widespread damages and severe power outages. The Public Works and Water Reclamation facilities were without power, but kept their operations running with the use of generators and were able to continue their high standard of service to Borough residents.

The Borough is looking into social media sites such as Twitter, Blogger and Facebook in order to facilitate communications with residents.

Mountainside and Ironia Roads were paved.



An ordinance was adopted amending and supplementing the Borough's fee schedule.

**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, 2011, the Borough had bonded debt as a result of a bond sale in 2006 of \$6,187,000. The Borough also has temporary debt of \$2,442,978 in the form of bond anticipation notes. The Borough also has \$226,219 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, 2011, 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 2011 in relation to the prior year

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2010</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,295,500	4.32%	\$ 91,615	7.61%
Sewer Rents	1,584,600	5.28%	13,732	0.87%
Miscellaneous Revenue	895,515	2.98%	(130,172)	-12.69%
Receipts from Delinquent Taxes	148,338	0.49%	(1,820)	-1.21%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	5,993,387	19.96%	182,882	3.15%
Municipal Budget Totals-Revenue	9,917,340	33.03%	156,237	1.60%
Nonbudget Revenue	317,324	1.06%	(33,187)	-9.47%
Other Credits to Income	614,802	2.05%	112,298	22.35%
Taxes Allocated to Schools, County and Open Space Trust	19,172,730	63.86%	(158,057)	-0.82%
Total	<u>\$ 30,022,196</u>	<u>100.00%</u>	<u>\$ 77,291</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 the Borough's use of held reserves as revenue in 2011. The increase in the amount to be raised by taxes for support of the municipal budget reflects an increase in the collection percentage of taxes levied. The increase in the other credits to income is the result of the Borough's conservative budgeting and expenditure policies and the unexpended balance of the operating budgets increased over prior years. The decrease in taxes allocated to schools, county and open space trust reflect decreases in the required collections of property taxes, which are remitted to those entities.

The following schedule presents a summary of current fund and utility operating funds expenditures for the fiscal year ended December 31, 2011 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 2010</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,295,163	8.04%	\$ (4,605)	-0.20%
Public Safety	2,018,122	7.07%	9,049	0.45%
Streets and Roads	821,402	2.88%	25,101	3.15%
Health and Welfare	97,537	0.34%	(10,133)	-9.41%
Recreation and Education	132,072	0.46%	294	0.22%
Deferred Charges and Statutory Expenditures	730,226	2.56%	89,198	13.91%
Utility Operating	1,249,545	4.38%	22,612	1.84%
Capital	125,000	0.44%	(60,000)	-32.43%
Debt Service:				
Principal	644,287	2.26%	106,022	19.70%
Interest	279,997	0.98%	(46,326)	-14.20%
Reserve for Uncollected Taxes	688,500	2.41%	13,500	2.00%
Municipal Budget Totals-Expenditures	9,081,851	31.81%	144,712	1.62%
County Taxes	3,322,900	11.64%	(122,758)	-3.56%
Local and Regional School Taxes	15,740,236	55.14%	(35,299)	-0.22%
Municipal Open Space Taxes	109,594	0.38%	-	0.00%
Other Expenditures	293,398	1.03%	(25,796)	-8.08%
Total	<u>\$28,547,979</u>	<u>100.00%</u>	<u>\$ (39,141)</u>	<u>-0.14%</u>

The primary reason for the decrease in expenditures was the decrease in county taxes and support of the local and regional school districts.

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,

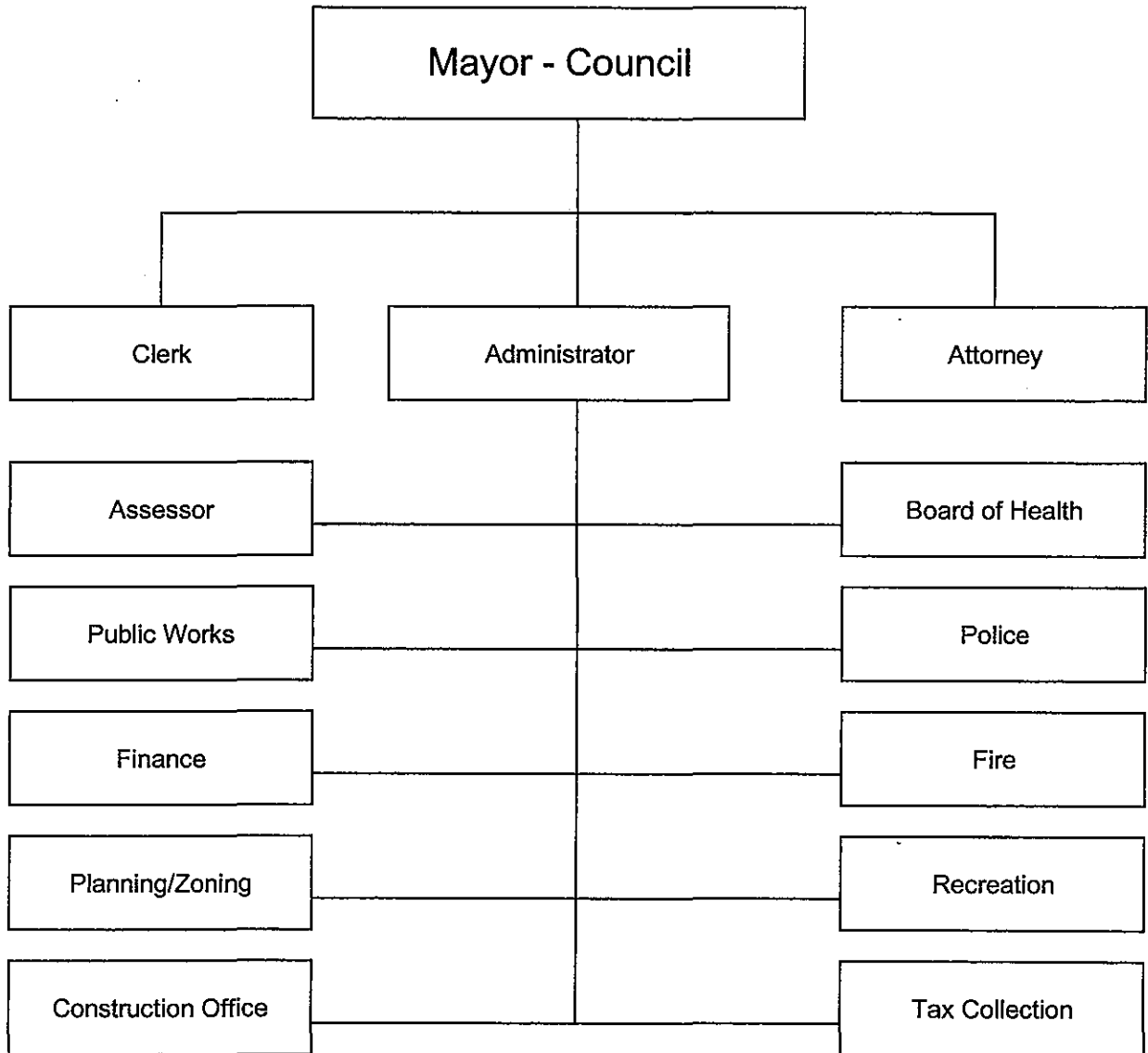
*Ellen Sandman*

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	John Andrus
Councilman	J. Bradley Badal
Councilwoman	Mary Veronica Daly
Councilman	Louis Garubo
Councilman	David C. Sharkey
Councilman	Stanley Witczak, III

Appointed Officials

Administrator/Purchasing Agent/Deputy Clerk	Ellen Sandman
Clerk/Deputy Treasurer	Maureen Massey
Assessment Search Officer	
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**



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

### 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 – regulatory basis of the various funds of the Borough of Mendham, in the County of Morris (the "Borough") as of and for the year ended December 31, 2011, 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, 2011, 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

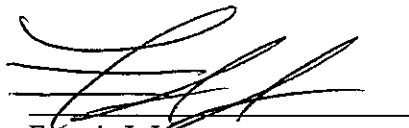
However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the general fixed assets account group been audited, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Mendham at December 31, 2011, 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 April 6, 2012 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 that collectively comprise the Borough's financial statements as a whole. The information included in the introductory section, combining and individual fund and account group statements and the 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 or provide any assurance on them.

Mount Arlington, New Jersey  
April 6, 2012

  
NISIVOC CIA LLP

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

<b>GENERAL PURPOSE FINANCIAL STATEMENTS</b>
---

**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, 2011**  
(With Comparative Totals for 2010)

ASSETS AND OTHER DEBITS:	Governmental Funds		Fiduciary Funds	Utility Funds		Account Group General Fixed Assets (Unaudited)	Totals (Memorandum Only)	
	Current	General Capital	Trust and Agency	Operating	Capital		2011	2010
<b>Assets:</b>								
Cash and Cash Equivalents	\$ 4,407,964	\$ 1,021,050	\$ 1,612,422	\$ 1,243,499	\$ 1,046,982		\$ 9,331,917	\$ 9,257,547
Receivables and Other Assets:								
Property Taxes Receivable	133,089						133,089	148,765
Consumer Accounts Receivable				129,314			129,314	124,865
Federal and State Receivables	12,623	17,526					30,149	27,899
Interfund Receivables	17,157			12,818	940		30,915	29,381
Other Receivables	785						785	
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
<b>Total Assets</b>	<b>4,574,518</b>	<b>1,038,576</b>	<b>1,612,422</b>	<b>1,385,631</b>	<b>1,047,922</b>	<b>8,095,999</b>	<b>17,755,068</b>	<b>17,687,356</b>
<b>Other Debits:</b>								
Deferred Charges:								
Emergency Authorizations	40,500						40,500	54,000
Deferred Charges to Future Taxation		4,680,838					4,680,838	5,094,278
Fixed Capital					14,720,635		14,720,635	14,874,490
<b>Total Other Debits</b>	<b>40,500</b>	<b>4,680,838</b>			<b>14,720,635</b>		<b>19,441,973</b>	<b>20,022,768</b>
<b>Total Assets and Other Debits</b>	<b>\$ 4,615,018</b>	<b>\$ 5,719,414</b>	<b>\$ 1,612,422</b>	<b>\$ 1,385,631</b>	<b>\$ 15,768,557</b>	<b>\$ 8,095,999</b>	<b>\$ 37,197,041</b>	<b>\$ 37,710,124</b>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>								
Appropriation Reserves	\$ 419,571			\$ 260,459			\$ 680,030	\$ 935,380
Improvement Authorizations		\$ 478,904			\$ 701,161		1,180,065	1,240,388
Payroll Deductions And Withholdings			\$ 36,680				36,680	32,493
Accounts Payable - Vendors	139,223			27,296			166,519	117,239
Interfund Payables	940	272	16,820	65	12,818		30,915	29,381
Reserves for Amortization					10,417,635		10,417,635	10,345,490
Various Liabilities and Reserves	1,663,505	686,899	1,558,922	44,096	168,417	\$ 8,095,999	12,217,838	12,016,644
Serial Bonds, Bond Anticipation Notes and Loans Payable		4,553,197			4,303,000		8,856,197	9,495,637
Reserve for Receivables and Other Assets	153,931			129,314			283,245	296,749
Fund Balance	2,237,848	142		924,401	165,526		3,327,917	3,200,723
<b>Total Liabilities, Reserves and Fund Balances</b>	<b>\$ 4,615,018</b>	<b>\$ 5,719,414</b>	<b>\$ 1,612,422</b>	<b>\$ 1,385,631</b>	<b>\$ 15,768,557</b>	<b>\$ 8,095,999</b>	<b>\$ 37,197,041</b>	<b>\$ 37,710,124</b>

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, 2011

	Current Fund			Utility Operating Funds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 1,080,500	\$ 1,080,500		\$ 215,000	\$ 215,000	
Sewer Rents				1,481,035	1,584,600	\$ 103,565
Miscellaneous Revenue	834,359	872,577	\$ 38,218	18,000	22,938	4,938
Receipts from Delinquent Taxes	100,000	148,338	48,338			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes						
Including Reserve for Uncollected Taxes	5,465,600	5,993,387	527,787			
Municipal Budget Totals - Revenue	7,480,459	8,094,802	614,343	1,714,035	1,822,538	108,503
Non-budget Revenues		317,324	317,324			
Other Credits to Income		382,024	382,024		232,778	232,778
Taxes Allocated to Schools, County and Open Space	19,172,730	19,172,730				
TOTAL REVENUES	26,653,189	27,966,880	1,313,691	1,714,035	2,055,316	341,281
EXPENDITURES:						
Current:						
General Government	2,395,163	2,295,163	100,000			
Public Safety	2,018,122	2,018,122				
Streets and Roads	821,402	821,402				
Health and Welfare	97,537	97,537				
Recreation and Education	132,072	132,072				
Deferred Charges and Statutory Expenditures	694,226	694,226		36,000	36,000	
Utility Operating				1,249,545	1,249,545	
Capital	50,000	50,000		75,000	75,000	
Debt Service:						
Principal	418,287	418,287		226,000	226,000	
Interest	165,150	165,150		127,490	114,847	12,643
Reserve for Uncollected Taxes	688,500	688,500				
Municipal Budget Totals - Expenditures	7,480,459	7,380,459	100,000	1,714,035	1,701,392	12,643
County Taxes	3,322,900	3,322,900				
Local and Regional School Taxes	15,740,236	15,740,236				
Municipal Open Space Taxes	109,594	109,594				
Other Expenditures		293,398	(293,398)			
TOTAL EXPENDITURES	\$ 26,653,189	26,846,587	(193,398)	\$ 1,714,035	1,701,392	12,643
Excess/(Deficit) of Revenues over Expenditures		1,120,293	\$ 1,120,293		353,924	\$ 353,924
Fund Balances January 1, 2011		2,198,055			785,477	
Less: Utilized as Anticipated Revenue		1,080,500			215,000	
Fund Balances December 31, 2011		\$ 2,237,848			\$ 924,401	

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

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(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, 2011  
(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. Property 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, 2011  
(Continued)

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

General Fixed Assets Account Group (Unaudited)

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, 2011  
(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, 2011  
(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, 2011, 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	\$ 4,293,701	\$ 114,033		\$4,407,964
General Capital		1,003,049	18,001		1,021,050
Trust and Agency		642,705	568,335	\$ 401,382	1,612,422
Utility Operating	100	1,056,036	187,363		1,243,499
Utility Capital		939,450	107,532		1,046,982
	<u>\$ 330</u>	<u>\$ 7,934,941</u>	<u>\$ 995,264</u>	<u>\$ 401,382</u>	<u>\$9,331,917</u>

The carrying amount of the Borough's cash and cash equivalents at year end was \$9,331,917 and the bank balance was \$10,093,406. The Borough did not hold any other investments during the year.

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 17,157	\$ 940
General Capital Fund		272
Other Trust Funds		16,820
Sewer Utility Operating Fund	12,818	65
Sewer Utility Capital Fund	940	12,818
	<u>\$ 30,915</u>	<u>\$ 30,915</u>

The primary interfund activity for 2011 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, 2011  
(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

	<u>December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 4,553,197	\$ 4,966,637	\$ 5,283,634
Sewer Utility:			
Bonds, Loans and Notes	4,303,000	4,529,000	4,745,000
Total Issued	<u>8,856,197</u>	<u>9,495,637</u>	<u>10,028,634</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	127,641	127,641	127,641
Total authorized but not Issued	<u>127,641</u>	<u>127,641</u>	<u>127,641</u>
Less:			
Reserve to Pay Debt Service	<u>132,981</u>	<u>192,981</u>	<u>312,981</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 8,850,857</u>	<u>\$ 9,430,297</u>	<u>\$ 9,843,294</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 .32%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 12,434,848	\$ 12,434,848	
Sewer Utility Debt	4,303,000	4,303,000	
General Debt	4,680,838	132,981	\$ 4,547,857
	<u>\$ 21,418,686</u>	<u>\$ 16,870,829</u>	<u>\$ 4,547,857</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

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

Net Debt \$4,547,857 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,427,029,364 = .32%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 49,946,028
Net Debt	4,547,857
Remaining Borrowing Power	<u>\$ 45,398,171</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	\$ 1,822,538
Deductions:	
Operating, Maintenance and Debt Service Costs	1,626,392
Excess in Revenue	<u>\$ 196,146</u>

The foregoing debt information is in agreement with the 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 12/31/2010	Additions	Retirements	Balance 12/31/2011
General Capital Fund:				
Serial Bonds	\$ 3,932,000		\$ 285,000	\$ 3,647,000
Bond Anticipation Notes	787,000		107,022	679,978
Green Acres Loan	247,637		21,418	226,219
Sewer Utility Capital Fund:				
Serial Bonds	2,740,000		200,000	2,540,000
Bond Anticipation Notes	1,789,000		26,000	1,763,000
Total	<u>\$ 9,495,637</u>	<u>\$ -0-</u>	<u>\$ 639,440</u>	<u>\$ 8,856,197</u>

Schedule of General Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/21/2006	7/13/2012	0.68%	\$ 192,915
Acquisition of Land	7/18/2008	7/13/2012	0.68%	423,063
Paving Various Roads	7/16/2009	7/13/2012	0.68%	64,000
				<u>\$ 679,978</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(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, 2011</u>
	<u>Original Note</u>	<u>Maturity</u>		
Sanitary Sewer System	7/18/2008	7/13/2012	0.68%	\$ 205,000
Sanitary Sewer System	7/16/2009	7/13/2012	0.68%	1,558,000
				<u>\$ 1,763,000</u>

General Capital - Serial Bonds Payable

<u>Maturities at December 31, 2011</u>							
<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>	<u>Matured</u>	<u>Balance Dec. 31, 2011</u>
General Bonds of 2006	8/15/06	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%			
					<u>\$ 3,932,000</u>	<u>\$ 285,000</u>	<u>\$ 3,647,000</u>

Utility Capital - Serial Bonds Payable

<u>Maturities at December 31, 2011</u>							
<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>	<u>Matured</u>	<u>Balance Dec. 31, 2011</u>
Sewer Bonds of 2006	8/15/06	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%			
					<u>\$ 2,740,000</u>	<u>\$ 200,000</u>	<u>\$ 2,540,000</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(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>
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	355,000	95,080	450,080
2017-2021	<u>2,022,000</u>	<u>249,800</u>	<u>2,271,800</u>
	<u>\$ 3,647,000</u>	<u>\$ 855,200</u>	<u>\$ 4,502,200</u>

Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	250,000	66,400	316,400
2017-2021	<u>1,410,000</u>	<u>173,800</u>	<u>1,583,800</u>
	<u>\$ 2,540,000</u>	<u>\$ 595,800</u>	<u>\$ 3,135,800</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. 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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

Note 5: Pension Plans (Cont'd)

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. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS increased from 5.5% to 6.50% while the employee contributions for PFRS increased to 10.00% from 8.5% 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.

Borough contributions to PFRS amounted to \$336,035, \$251,410 and \$227,509 for 2011, 2010, and 2009, respectively. Borough contributions to PERS amounted to \$138,143, \$120,556, and \$106,046 for 2011, 2010, and 2009, respectively

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

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.



BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

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

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. 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 2011 the Borough had six retirees who met the eligibility requirements and recognized expenditures in the amount of \$74,599.

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 \$9,141. 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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

Note 8: Selected Tax Information (cont'd)

Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	\$ 1.908	\$ 1.899	\$ 1.525
<u>Apportionment of Tax Rate</u>			
Municipal	.423	.408	.321
County	.259	.266	.225
Local School	.746	.732	.587
Regional High School	.472	.485	.386
Municipal Open Space	.008	.008	.006
<u>Assessed Valuations</u>			
2011	<u>\$1,291,640,675</u>		
2010		<u>\$1,296,664,611</u>	
2009			<u>\$1,582,998,674</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>
2011	\$ 24,658,051	\$ 24,477,617	99.26%
2010	24,650,522	24,466,292	99.25%
2009	24,234,855	23,983,850	98.96%

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, 2011  
(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.

Financial statements for the year ended December 31, 2011 are not available as of the date of this report. Selected, summarized financial information for the Fund at December 31, 2010 is as follows:

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

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

Morris County Municipal Joint Insurance Fund  
PERMA Risk Management Services  
9 Campus Drive, Suite 16  
Parsippany, NJ 07054  
(201) 881-7632

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(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>
2011	\$ 3,000	\$ 3,892	\$ 186	\$ 701	\$ 40,545
2010	3,000	3,965	191	11,544	34,168
2009	3,000	3,852	185	11,917	38,556

Note 10: Fund Balances Appropriated

Fund balances at December 31, 2011, which were appropriated and included as anticipated revenue for the year ending December 31, 2012 were as follows:

Current Fund	\$1,206,487
Sewer Utility Fund	440,092

Note 11: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the year ended December 31, 2011:

	<u>Balance Dec. 31, 2010</u>	<u>Additions</u>	<u>Balance Dec. 31, 2011</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, 2011  
(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, 2011 in the amount of \$380,000. 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, 2011.

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, 2011.

Note 14: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2011, consisted of the following:

Litigation	\$ 380,000
Unappropriated Reserves	68,773
Master Plan	25,827
Tax Sale Premiums	6,600
Sale of Municipal Assets	443,534
Revaluation	11,319
Pending Tax Appeals	300,000
Escrow Deposits - Sale of Water Utility Assets	176,421
	<u>\$ 1,412,474</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(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, 2011 was \$642,705.

**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  
2011  
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.



A

MENDHAM BOROUGH  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

	December 31,	
	2011	2010
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,407,734	\$ 4,342,887
Change Fund	230	230
	<u>4,407,964</u>	<u>4,343,117</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	<u>12,623</u>	<u>10,373</u>
	<u>4,420,587</u>	<u>4,353,490</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	133,089	148,765
Tax Title Liens Receivable	785	
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Interfunds Receivable	<u>17,157</u>	<u>20,219</u>
Total Receivables and Other Assets with Full Reserves	<u>153,931</u>	<u>171,884</u>
Deferred Charges:		
Special Emergency Authorization	<u>40,500</u>	<u>54,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,615,018</u></u>	<u><u>\$ 4,579,374</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 45,460	\$ 58,112
Unencumbered	<u>374,111</u>	<u>574,775</u>
Total Appropriation Reserves	<u>419,571</u>	<u>632,887</u>
Prepaid Taxes	244,884	240,408
Accounts Payable - Vendors	139,223	89,943
Other Liabilities	6,147	6,103
Interfund Payable	940	659
Other Reserves	<u>1,412,474</u>	<u>1,239,435</u>
	<u>2,223,239</u>	<u>2,209,435</u>
Reserve for Receivables and Other Assets	153,931	171,884
Fund Balance	<u>2,237,848</u>	<u>2,198,055</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<u><u>\$ 4,615,018</u></u>	<u><u>\$ 4,579,374</u></u>

A-1

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

<u>Revenue and Other Income Realized</u>	Year Ended December 31,	
	2011	2010
Fund Balance Utilized	\$ 1,080,500	\$ 1,003,885
Miscellaneous Revenue Anticipated	872,577	996,491
Receipts from:		
Delinquent Taxes	148,338	150,158
Current Taxes	24,477,617	24,466,292
Nonbudget Revenue	317,324	350,511
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	378,962	331,760
Other Credits	3,062	804
Total Income	<u>27,278,380</u>	<u>27,299,901</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	6,691,959	6,563,971
County Taxes	3,322,900	3,445,658
Local School District Taxes	9,635,769	9,488,904
Regional School Taxes	6,104,467	6,286,631
Municipal Open Space Tax	109,594	109,594
Other Debits	293,398	319,194
Total Expenditures	<u>26,158,087</u>	<u>26,213,952</u>
 Excess in Revenue	1,120,293	1,085,949
 <u>Fund Balance</u>		
Balance January 1	<u>2,198,055</u>	<u>2,115,991</u>
	3,318,348	3,201,940
Decreased by:		
Utilized as Anticipated Revenue	<u>1,080,500</u>	<u>1,003,885</u>
 Balance December 31	<u>\$ 2,237,848</u>	<u>\$ 2,198,055</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,080,500		\$ 1,080,500	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		6,300	
Interest and Costs on Taxes	45,000		51,776	\$ 6,776
Interest on Investments and Deposits	32,800		29,263	3,537 *
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	74,972		110,129	35,157
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program		\$ 8,608	8,608	
Body Armor Fund	1,446		1,522	76
Drunk Driving Enforcement Fund	2,821		2,567	254 *
Reserve for Sale of Municipal Assets	37,500		37,500	
Fletcher Trust Fund	37,500		37,500	
Reserve to Pay Debt Service	60,000		60,000	
Other Trust Fund - Open Space Trust	26,265		26,265	
Total Miscellaneous Revenue	825,751	8,608	872,577	38,218
Receipts from Delinquent Taxes	100,000		148,338	48,338
Amount to be Raised by Taxes for Support of Municipal Budget	<u>5,465,600</u>		<u>5,993,387</u>	<u>527,787</u>
Budget Totals	7,471,851	8,608	8,094,802	<u>\$ 614,343</u>
Nonbudget Revenue			<u>317,324</u>	
	<u>\$ 7,471,851</u>	<u>\$ 8,608</u>	<u>\$ 8,412,126</u>	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Collection of Current Taxes	\$ 24,477,617
Allocated to:	
School, County, and Open Space Taxes	19,172,730
	<u>5,304,887</u>
Add: Appropriation "Reserve for Uncollected Taxes"	688,500
	<u>688,500</u>
Realized for Support of Municipal Budget	<u>\$ 5,993,387</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$ 148,338
	<u>\$ 148,338</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:	
Fees and Permits	\$ 76,139
Municipal Court Fines and Costs	87,137
Rents on Borough-Owned Properties	17,490
Cable Television Franchise Fees	63,361
Prior Year Insurance Refunds	1,264
High School Resource Officer reimbursement	37,471
Other Miscellaneous Income	34,462
	<u>34,462</u>
	<u>\$ 317,324</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "Caps":					
General Government:					
General Administration:					
Salaries and Wages	\$ 235,499	\$ 235,499	\$ 230,583	\$ 4,916	
Other Expenses	54,050	54,050	53,477	573	
Mayor and Council:					
Salaries and Wages	21,930	21,930	21,500	430	
Other Expenses	1,500	1,500	1,500		
Municipal Clerk:					
Salaries and Wages	68,214	68,214	67,715	499	
Financial Administration:					
Salaries and Wages	77,111	77,111	76,546	565	
Other Expenses	21,295	21,295	4,131	17,164	
Annual Audit	36,153	36,153		36,153	
Computerized Data Processing	10,000	10,000	10,000		
Tax Assessment Administration:					
Salaries and Wages	49,051	49,051	48,629	422	
Other Expenses	11,800	11,800	11,317	483	
Revenue Administration (Tax Collection):					
Salaries and Wages	30,594	30,594	30,371	223	
Other Expenses	6,040	6,040	4,377	1,663	
Legal Services and Costs:					
Other Expenses	73,000	73,000	69,727	3,273	
Engineering Services and Costs:					
Other Expenses	103,700	103,700	82,696	21,004	
Historic Preservation:					
Other Expenses	8,490	8,490	4,204	4,286	
Public Buildings and Grounds:					
Salaries and Wages	112,057	112,057	107,904	4,153	
Other Expenses	45,500	52,500	51,319	1,181	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
General Government (continued):					
Municipal Land Use Law(N.J.S.A.40:55D-1):					
Planning Board:					
Other Expenses	\$ 54,800	\$ 51,800	\$ 14,593	\$ 37,207	
Board of Adjustment:					
Other Expenses	14,000	17,000	14,838	2,162	
Insurance:					
Employee Group Health	562,744	562,744	559,904	2,840	
Unemployment Compensation Insurance	2,000	2,000	2,000		
General Liability Insurance	37,918	37,918	37,838	80	
Workmen's Compensation Insurance	74,870	74,870	74,772	98	
Public Safety:					
Police:					
Salaries and Wages	1,407,081	1,407,081	1,382,341	24,740	
Other Expenses	91,400	91,400	80,471	10,929	
Contractual Radio Dispatch	106,814	106,814	106,814		
Emergency Management Services	500	500		500	
Aid to Volunteer Fire Company	92,700	92,700	92,572	128	
Aid to Volunteer Ambulance Company	34,550	34,550	29,743	4,807	
Fire:					
Salaries and Wages	19,638	19,638	14,173	5,465	
Other Expenses	107,600	107,600	97,490	10,110	
Municipal Prosecutor:					
Other Expenses - Fees	14,000	14,000	14,000		
Municipal Court:					
Salaries and Wages	87,419	87,419	87,419		
Other Expenses	42,000	42,000	42,000		
Public Defender - Other Expenses	1,545	1,545	1,545		
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries and Wages	377,539	372,539	349,206	23,333	
Other Expenses	170,000	170,000	168,549	1,451	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Streets and Roads (Cont'd):					
Shade Trees:					
Other Expenses	\$ 11,000	\$ 9,000	\$ 6,195	\$ 2,805	
Kelley Act - Mendham Commons	8,000	8,000	4,702	3,298	
Landfill/Solid Waste Disposal Costs:					
Salaries and Wages	10,133	19,133	17,727	1,406	
Other Expenses	248,430	239,430	211,336	28,094	
Other Expenses - Monitor Well Testing	3,300	3,300	3,207	93	
Health and Welfare:					
Board of Health:					
Salaries and Wages	3,702	3,702	3,683	19	
Other Expenses - Miscellaneous	48,685	48,685	48,099	586	
Visiting Nurse	5,678	5,678	5,678		
Environmental Commission:					
Other Expenses	3,480	1,480	69	1,411	
Animal Control:					
Other Expenses	15,504	15,504	14,812	692	
Contributions to Social Service Agency:					
MASH Van	24,488	22,488	15,136	7,352	
Recreation and Education:					
Recreation:					
Salaries and Wages	17,860	17,860	16,850	1,010	
Other Expenses	30,954	30,954	28,094	2,860	
Parks and Playgrounds:					
Salaries and Wages	63,258	63,258	60,093	3,165	
Other Expenses	20,000	20,000	19,621	379	
Construction Code Official:					
Salaries and Wages	94,416	94,416	91,388	3,028	
Other Expenses	7,175	7,175	4,448	2,727	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Unclassified:					
Electricity	\$ 58,000	\$ 50,000	\$ 46,202	\$ 3,798	
Street Lighting	28,000	26,000	25,831	169	
Telephone	35,500	35,500	31,880	3,620	
Water	7,500	5,500	4,698	802	
Gas (Natural)	27,000	27,000	22,891	4,109	
Gasoline	50,000	66,000	64,471	1,529	
Salary Adjustment Account	100,000	100,000			\$ 100,000
Total Operations Within "CAPS"	5,187,165	5,187,165	4,793,375	293,790	100,000
Contingency	2,000	2,000	2,000		
Total Operations Including Contingent Within "CAPS"	5,189,165	5,189,165	4,795,375	293,790	100,000
Detail:					
Salaries and Wages	2,675,502	2,679,502	2,606,128	73,374	
Other Expenses	2,513,663	2,509,663	2,189,247	220,416	100,000
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":					
Contributions to PERS	138,143	138,143	138,143		
Contributions to: Social Security System (O.A.S.I.)	206,548	206,548	201,574	4,974	
Contributions to PFRS	336,035	336,035	336,035		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	680,726	680,726	675,752	4,974	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,869,891	5,869,891	5,471,127	298,764	100,000
Operations Excluded from "CAPS":					
Employee Group Health Insurance	17,256	17,256	17,256		



MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (cont'd):					
Aid to Library	\$ 195,000	\$ 195,000	\$ 178,750	\$ 16,250	
Length of Service Award Program	50,000	50,000		50,000	
Public and Private Programs Offset by Revenue:					
Clean Communities (NJSA 40A:4-87, \$8,608)		8,608	1,732	6,876	
Body Armor Fund	1,446	1,446	1,446		
Drunk Driving Enforcement Fund	2,821	2,821	600	2,221	
Total Operations Excluded from "CAPS"	266,523	275,131	199,784	75,347	
Detail:					
Other Expenses	266,523	275,131	199,784	75,347	
Capital Improvements-Excluded from "CAPS" :					
Reserve for Improvements	50,000	50,000	50,000		
Total Capital Improvements Excluded from "CAPS"	50,000	50,000	50,000		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	285,000	285,000	285,000		
Payment of Bond Anticipation Notes	107,022	107,022	107,022		
Interest on Bonds	157,280	157,280	157,280		
Interest on Notes	7,870	7,870	7,870		
Green Trust Loan Program - Principal and Interest	26,265	26,265	26,265		
Total Municipal Debt Service Excluded from "CAPS"	583,437	583,437	583,437		

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges - Municipal - Special Emergency Authorization	\$ 13,500	\$ 13,500	\$ 13,500		
Total Deferred Charges-Municipal- Excluded from "CAPS"	13,500	13,500	13,500		
Total General Appropriations Excluded from "CAPS"	913,460	922,068	846,721	\$ 75,347	
Subtotal General Appropriations	6,783,351	6,791,959	6,317,848	374,111	\$ 100,000
Reserve for Uncollected Taxes	688,500	688,500	688,500		
Total General Appropriations	<u>\$ 7,471,851</u>	<u>\$ 7,480,459</u>	<u>\$ 7,006,348</u>	<u>\$ 374,111</u>	<u>\$ 100,000</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
 (Continued)

	Analysis of	
	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Cash Disbursed		\$ 6,346,850
Reserve for Uncollected Taxes		688,500
Deferred Charges		13,500
Outstanding Encumbrances		45,460
Adopted Budget	\$ 7,471,851	
Adopted by NJSA 40A:4-87	<u>8,608</u>	
	7,480,459	7,094,310
		<u>87,962</u>
Less: Appropriation Refunds		
	<u>\$ 7,480,459</u>	<u>\$ 7,006,348</u>

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

Year	Balance	2011 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance
	Dec. 31, 2010		2010	2011				Dec. 31, 2011
2010	\$ 148,765			\$ 148,338		\$ 71	\$ 356	
2011		\$ 24,658,051	\$ 240,408	24,186,959	\$ 50,250	46,916	429	\$ 133,089
	<u>\$ 148,765</u>	<u>\$ 24,658,051</u>	<u>\$ 240,408</u>	<u>\$ 24,335,297</u>	<u>\$ 50,250</u>	<u>\$ 46,987</u>	<u>\$ 785</u>	<u>\$ 133,089</u>

Analysis of 2011 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 24,600,603	
Business Personal Property Taxes	43,901	
Added and Omitted Taxes	<u>13,547</u>	
		<u>\$ 24,658,051</u>

Tax Levy:

Regional High School Taxes	6,104,467	
Local School District Taxes	<u>9,635,769</u>	
		\$ 15,740,236
County Taxes	3,321,059	
Due County for Added and Omitted Taxes	<u>1,841</u>	
		3,322,900
Municipal Open Space Tax		<u>109,594</u>
		19,172,730
Local Tax for Municipal Purposes Levied	5,465,600	
Add: Additional Tax Levied	<u>19,721</u>	
		5,485,321
		<u>\$ 24,658,051</u>

MENDHAM BOROUGH  
CURRENT FUND  
SCHEDULE OF 2010 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2011

	Balance Dec. 31, 2010	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 12,103	\$ 12,103		\$ 12,103
Other Expenses	6,452	6,452	\$ 3,690	2,762
Mayor and Council:				
Other Expenses	1,500	1,500	47	1,453
Municipal Clerk:				
Other Expenses	162	162		162
Annual Audit	36,153	36,153	35,500	653
Computerized Data Processing	2,140	2,140	616	1,524
Financial Administration:				
Salaries and Wages	184	184		184
Other Expenses	17,796	17,796	13,107	4,689
Assessment of Taxes:				
Salaries and Wages	187	187		187
Other Expenses	331	331	270	61
Collection of Taxes:				
Salaries and Wages	1,870	1,870		1,870
Other Expenses	1,701	1,701	30	1,671
Legal Services and Costs	35,588	35,588	7,499	28,089
Engineering Services and Costs:				
Other Expenses	12,089	12,089	6,483	5,606
Historic Preservation:				
Other Expenses	8,875	8,875	830	8,045
Public Buildings and Grounds:				
Salaries and Wages	2,980	2,980		2,980
Other Expenses	24,979	22,679	10,055	12,624
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	45,273	45,273	3,038	42,235
Board of Adjustment:				
Other Expenses	9,676	9,676	150	9,526
Insurance:				
Group Insurance Plan for Employees	9,246	9,246		9,246
Other Insurance Premiums	4,523	4,523		4,523
Disability Insurance	1,628	1,628		1,628
Aid to Volunteer Fire Company	20,443	20,443	20,443	
Fire:				
Other Expenses	18,742	22,842	22,842	
Other Expenses - Fire Hydrants	8,248	8,248	8,205	43
Police:				
Salaries and Wages	64,243	64,243	1,318	62,925
Other Expenses	34,725	34,725	15,423	19,302
Municipal Court:				
Salaries and Wages	85	85		85
Other Expenses	1,367	1,367		1,367
Municipal Prosecutor	420	420		420
Public Defender	1,545	1,545		1,545
Roads Repairs and Maintenance:				
Salaries and Wages	40,632	40,632	7,753	32,879
Other Expenses	29,594	29,594	23,187	6,407
Street Lighting	2,178	2,178	324	1,854
Board of Health:				
Other Expenses	53	53		53
Other Expenses - Monitor Well Testing	2,253	2,253	969	1,284

BOROUGH OF MENDHAM  
CURRENT FUND  
SCHEDULE OF 2010 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Balance Dec. 31, 2010	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Kelley Act - Mendham Commons	\$ 4,157	\$ 4,157	\$ 4,157	
Dog Regulation:				
Other Expenses	1,664	1,664	1,650	\$ 14
Landfill/Solid Waste Disposal:				
Salaries and Wages	485	485		485
Other Expenses	48,516	48,516	10,064	38,452
Environmental Commission:				
Other Expenses	6,194	6,194		6,194
Public Assistance:				
Salaries and Wages	31	31		31
Other Expenses	400	400		400
Parks and Playgrounds:				
Salaries and Wages	3,619	3,619		3,619
Other Expenses	3,436	3,436	130	3,306
Recreation:				
Salaries and Wages	655	655		655
Other Expenses	3,765	3,765		3,765
Senior Citizens Transportation	6,771	6,771	1,513	5,258
Shade Tree:				
Other Expenses	1,064	1,064		1,064
State Uniform Construction Code:				
Salaries and Wages	1,041	1,041	635	406
Other Expenses	4,825	4,825	1,311	3,514
Fire Official:				
Salaries and Wages	1,482	1,482	200	1,282
Other Expenses	983	483	190	293
Electricity	6,905	6,905	4,613	2,292
Telephone	3,168	3,168	1,942	1,226
Water	1,347	1,347	289	1,058
Natural Gas	6,991	5,691	1,033	4,658
Gasoline	1,852	1,852	1,836	16
Contingent	182	182	30	152
Contribution to:				
Social Security System (O.A.S.I.)	6,779	6,779	245	6,534
Length of Service Award Program	50,000	50,000	38,888	11,112
Public and Private Programs Offset by Revenue:				
Drunk Driving Enforcement Fund	1,481	1,481		1,481
Body Armor Fund	793	793	793	
Clean Communities Grant	4,337	4,337	2,627	1,710
	<u>\$ 632,887</u>	<u>\$ 632,887</u>	<u>\$ 253,925</u>	<u>\$ 378,962</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 574,775			
Encumbered	58,112			
Expenditures			\$ 256,261	
Refunds			(2,336)	
	<u>\$ 632,887</u>		<u>\$ 253,925</u>	

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2011  
GENERAL CAPITAL FUND

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

B

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

	December 31,	
	2011	2010
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,021,050	\$ 1,105,403
State Grants Receivable	17,526	17,526
Deferred Charges to Future Taxation:		
Funded	3,873,219	4,179,637
Unfunded	807,619	914,641
TOTAL ASSETS	<u>\$ 5,719,414</u>	<u>\$ 6,217,207</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 3,647,000	\$ 3,932,000
Bond Anticipation Notes Payable	679,978	787,000
Green Acres Loan Payable	226,219	247,637
Improvement Authorizations:		
Funded	358,352	310,366
Unfunded	120,552	120,657
Due to Current Fund	272	506
Reserve For:		
Purchase of Fire Truck		114,500
Payment of Debt Service	132,981	192,981
Improvements	521,477	286,500
Phoenix House		70,477
Capital Improvement Fund	32,441	102,918
Fund Balance	142	51,665
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 5,719,414</u>	<u>\$ 6,217,207</u>



BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2010	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2011
		Budget Appropriation	Miscel- laneous	Improvement Authori- zations	Miscel- laneous	From	To	
Fund Balance	\$ 51,665					\$ 51,523		\$ 142
Capital Improvement Fund	102,918					70,477		32,441
Due Current Fund	506		\$ 4,723		\$ 4,957			272
Due Other Trust Fund			53,325			53,325		
State Grant Receivable	(17,526)							(17,526)
Reserve for Purchase of Fire Truck	114,500					114,500		
Reserve to Pay Debt Service	192,981				60,000			132,981
Reserve for Phoenix House	70,477					70,477		
Reserve for Improvements	286,500	\$ 50,000					\$ 184,977	521,477
<u>Improvement Authorizations:</u>								
<u>No.</u>	<u>Improvement Description</u>							
4-02/								
9-02	Various Improvements	(8,471)						(8,471)
17-04	Various Improvements	(53,569)						(53,569)
06-06	Various Improvements	55,056		\$ 105				54,951
07-06	Various Improvements	25,728				15,000		10,728
09-08/	Various							
14-08	Improvements	42,315		479		5,189		36,647
01-10	Paving Various Roads	7,791						7,791
05-10	Various Improvements	234,532		15,498		81,811		137,223
03-11	Various Improvements			111,362			277,325	165,963
		<u>\$ 1,105,403</u>	<u>\$ 50,000</u>	<u>\$ 58,048</u>	<u>\$ 127,444</u>	<u>\$ 64,957</u>	<u>\$ 462,302</u>	<u>\$ 1,021,050</u>

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

Analysis of Balance at December 31, 2011						
Ord. No.	Improvement Description	Balance Dec. 31, 2010	Notes Paid By Budget Appropriation	Balance Dec. 31, 2011	Financed by Bond Antici- pation Notes	Unexpended Improvement Authori- zations
4-02/						
9-02	Various Improvements	\$ 57,641		\$ 57,641		\$ 49,170
17-04	Various Improvements	70,000		70,000		16,431
06-06	Various Improvements	231,500	\$ 38,585	192,915	\$ 192,915	
21-07	Acquisition of Land	483,500	60,437	423,063	423,063	
8-09	Paving Various Roads	72,000	8,000	64,000	64,000	
		<u>\$ 914,641</u>	<u>\$ 107,022</u>	<u>\$ 807,619</u>	<u>\$ 679,978</u>	<u>\$ 65,601</u>
Improvement Authorizations Unfunded						\$ 120,552
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:						
Ord. No. 6-06						<u>54,951</u>
						<u>\$ 65,601</u>

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2010		2011 Authorizations		Transfers	Paid or Charged	Balance Dec. 31, 2011	
		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
17-04	Various Improvements	09/07/04	171,500		16,431						16,431
06-06	Various Improvements	06/05/06	310,000		55,056				\$ 105		54,951
07-06	Various Improvements	06/05/06	102,000	\$ 25,728				\$ (15,000)		\$ 10,728	
09-08/	Various										
14-08	Improvements	06/02/08	240,000	42,315				(5,189)	479	36,647	
01-10	Paving Various Roads	02/01/10	14,651	7,791						7,791	
05-10	Various Improvements	05/17/10	527,500	234,532				(81,811)	15,498	137,223	
03-11	Various Improvements	06/06/11	277,325			\$ 70,477	\$ 104,848	102,000	111,362	165,963	
				<u>\$ 310,366</u>	<u>\$ 120,657</u>	<u>\$ 70,477</u>	<u>\$ 104,848</u>	<u>\$ -0-</u>	<u>\$ 127,444</u>	<u>\$ 358,352</u>	<u>\$ 120,552</u>

B-4

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

Balance December 31, 2010	\$ 247,637
Less: Principal matured	<u>21,418</u>
Balance December 31, 2011	<u><u>\$ 226,219</u></u>

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

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
			\$ 226,219
2/18/2012	\$ 10,870	\$ 2,262	215,349
8/18/2012	10,979	2,153	204,370
2/18/2013	11,089	2,044	193,281
8/18/2013	11,200	1,933	182,082
2/18/2014	11,312	1,821	170,770
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	136,152
2/18/2016	11,771	1,362	124,381
8/18/2016	11,889	1,244	112,493
2/18/2017	12,007	1,125	100,485
8/18/2017	12,128	1,005	88,358
2/18/2018	12,249	884	76,109
8/18/2018	12,371	761	63,738
2/18/2019	12,495	637	51,242
8/18/2019	12,620	512	38,623
2/18/2020	12,746	386	25,876
8/18/2020	12,874	259	13,003
2/18/2021	<u>13,002</u>	<u>130</u>	
	<u><u>\$ 226,219</u></u>	<u><u>\$ 23,297</u></u>	

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, 2010	Issued	Matured	Balance Dec. 31, 2011
				Issue	Maturity					
6-06	Various Improvements	\$ 295,000	07/21/06	07/15/10 07/13/11	07/14/11 07/13/12	1.00% 0.68%	\$ 231,500	\$ 192,915	\$ 231,500	\$ 192,915
21-07	Acquisition of Land	497,000	07/18/08	07/15/10 07/13/11	07/14/11 07/13/12	1.00% 0.68%	483,500	423,063	483,500	423,063
8-09	Paving Various Roads	76,000	07/16/09	07/15/10 07/13/11	07/14/11 07/13/12	1.00% 0.68%	72,000	64,000	72,000	64,000
							<u>\$ 787,000</u>	<u>\$ 679,978</u>	<u>\$ 787,000</u>	<u>\$ 679,978</u>
	Renewals							\$ 679,978	\$ 679,978	
	Funded by Budget Appropriation								107,022	
								<u>\$ 679,978</u>	<u>\$ 787,000</u>	

MENDHAM BOROUGH  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities at December 31, 2011		Interest Rate	Balance Dec. 31, 2010	Matured	Balance Dec. 31, 2011
		Date of Maturity	Amount				
General Bonds of 2006	8/15/2006	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%			
					\$ 3,932,000	\$ 285,000	\$ 3,647,000
					<u>\$ 3,932,000</u>	<u>\$ 285,000</u>	<u>\$ 3,647,000</u>

B-7

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, 2010</u>	<u>Balance</u> <u>Dec. 31, 2011</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  
2011  
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, 2011  
 (With Comparative Totals for 2010)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2011	2010
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 4,367	\$ 1,560,439	\$ 10,936	\$ 36,680	\$ 1,612,422	\$ 1,567,286
<b>TOTAL ASSETS</b>	<u>\$ 4,367</u>	<u>\$ 1,560,439</u>	<u>\$ 10,936</u>	<u>\$ 36,680</u>	<u>\$ 1,612,422</u>	<u>\$ 1,567,286</u>
 <u>LIABILITIES AND RESERVES</u>						
Interfunds Payable		\$ 16,820			\$ 16,820	\$ 17,626
Payroll Deductions and Withholdings				\$ 36,680	36,680	32,493
Reserve for Animal Control Fund Expenditures	\$ 4,367				4,367	3,676
Reserve for Other Trust Funds		1,543,619			1,543,619	1,502,555
Reserve for Public Assistance			\$ 10,936		10,936	10,936
<b>TOTAL LIABILITIES AND RESERVES</b>	<u>\$ 4,367</u>	<u>\$ 1,560,439</u>	<u>\$ 10,936</u>	<u>\$ 36,680</u>	<u>\$ 1,612,422</u>	<u>\$ 1,567,286</u>

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

Balance December 31, 2010	\$ 3,676
Increased by:	
License Fees Collected	3,890
	<u>7,566</u>
Decreased by:	
Expenditures Under R.S.4:19-15.11	3,199
	<u>3,199</u>
Balance December 31, 2011	<u>\$ 4,367</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2009	\$ 4,247
2010	<u>3,782</u>
Maximum Allowable Reserve	<u>\$ 8,029</u>

BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2010	Receipts	Disbursements	Balance Dec. 31, 2011
Reserve for:				
Special Deposits	\$ 94,552	\$ 5,040	\$ 10,971	\$ 88,621
Special Engineering Deposits	51,992	6,630	11,721	46,901
Andrew Fletcher Trust Fund	324,743		37,500	287,243
State Unemployment Trust Fund	34,168	7,078	701	40,545
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,903	94	908	2,089
Police Assets Forfeiture	1,521	8	8	1,521
Police Special Duty	26,340	162,049	140,592	47,797
Recreation Fund	101,581	68,361	78,553	91,389
Recycling Tonnage Fund	95,923	23,276		119,199
Landfill Closure Escrow	1,176	1		1,177
Open Space	569,691	113,339	40,325	642,705
Housing Trust	121,585	1,102	11,654	111,033
Other Trust Funds	73,092	65,554	78,535	60,111
Total	<u>\$ 1,502,555</u>	<u>\$ 452,532</u>	<u>\$ 411,468</u>	<u>\$ 1,543,619</u>

C-3

BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2010	\$ 10,936
Increased by Receipts:	
Interest	<u>55</u>
	10,991
Decreased by Disbursements:	
Due to Current Fund	<u>55</u>
Balance December 31, 2011	<u>\$ 10,936</u>

BOROUGH OF MENDHAM  
PAYROLL FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 32,493	\$ 4,401,479	\$ 4,397,292	\$ 36,680
TOTAL ASSETS	<u>\$ 32,493</u>	<u>\$ 4,401,479</u>	<u>\$ 4,397,292</u>	<u>\$ 36,680</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 32,493	\$ 4,401,479	\$ 4,397,292	\$ 36,680
TOTAL LIABILITIES	<u>\$ 32,493</u>	<u>\$ 4,401,479</u>	<u>\$ 4,397,292</u>	<u>\$ 36,680</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2011  
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
COMPARATIVE BALANCE SHEET

		Sewer Utility Operating Fund December 31,	
		<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Cash and Cash Equivalents		\$ 1,243,399	\$ 1,165,489
Change Fund		100	100
		<u>1,243,499</u>	<u>1,165,589</u>
Due from Sewer Utility Capital Fund		12,818	8,503
Receivables with Full Reserves:			
Consumer Accounts Receivable		<u>129,314</u>	<u>124,865</u>
TOTAL ASSETS		<u><u>\$ 1,385,631</u></u>	<u><u>\$ 1,298,957</u></u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves:			
Unencumbered		\$ 236,532	\$ 276,327
Encumbered		<u>23,927</u>	<u>26,166</u>
Total Appropriation Reserves		260,459	302,493
Interfunds Payable		65	2,087
Accounts Payable - Vendors		27,296	27,296
Accrued Interest on Bonds and Notes		44,030	56,673
Sewer Rent Overpayments		<u>66</u>	<u>66</u>
		331,916	388,615
Reserve for Receivables		129,314	124,865
Fund Balance		<u>924,401</u>	<u>785,477</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 1,385,631</u></u>	<u><u>\$ 1,298,957</u></u>

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

	Sewer Utility Operating Fund Year Ended December 31,	
	2011	2010
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 215,000	\$ 200,000
Sewer Fees and Charges	1,584,600	1,570,868
Miscellaneous Revenue	22,938	29,196
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	232,778	169,940
Total Income	2,055,316	1,970,004
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,249,545	1,226,933
Capital Improvements	75,000	75,000
Debt Service	340,847	361,235
Statutory Expenditures	36,000	35,000
Total Expenditures	1,701,392	1,698,168
Excess in Revenue	353,924	271,836
<u>Fund Balance</u>		
Balance January 1	785,477	713,641
	1,139,401	985,477
Decreased by:		
Utilized as Anticipated Revenue	215,000	200,000
Balance December 31	\$ 924,401	\$ 785,477



BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF REVENUES  
YEAR ENDED DECEMBER 31, 2011

	Sewer Utility Operating Fund	
	<u>Anticipated</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 215,000	\$ 215,000
Sewer Fees and Charges	1,481,035	1,584,600
Miscellaneous Revenue	<u>18,000</u>	<u>22,938</u>
	<u>\$ 1,714,035</u>	<u>\$ 1,822,538</u>

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 11,632
Sewer Inspection Fees	3,375
Delinquent Payment Penalties	<u>7,931</u>
	<u>\$ 22,938</u>

BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011

Sewer Utility Operating Fund					
	Appropriations		Expended by		
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	Unex- pended Balance Cancelled
Operating:					
Salaries and Wages	\$ 440,406	\$ 440,406	\$ 416,212	\$ 24,194	
Other Expenses	809,139	809,139	599,826	209,313	
Total Operating	<u>1,249,545</u>	<u>1,249,545</u>	<u>1,016,038</u>	<u>233,507</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	200,000	200,000	200,000		
Interest on Bonds	109,600	109,600	99,624		\$ 9,976
Interest on Notes	17,890	17,890	15,223		2,667
Total Debt Service	<u>353,490</u>	<u>353,490</u>	<u>340,847</u>		<u>12,643</u>
Statutory Expenditures:					
Social Security System (O.A.S.I.)	35,000	35,000	31,975	3,025	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>		
Total Statutory Expenditures	<u>36,000</u>	<u>36,000</u>	<u>32,975</u>	<u>3,025</u>	
	<u>\$ 1,714,035</u>	<u>\$ 1,714,035</u>	<u>\$ 1,464,860</u>	<u>\$ 236,532</u>	<u>\$ 12,643</u>

Analysis of Paid or Charged:

Cash Disbursed	\$ 1,326,136
Accrued Interest on Debt	114,847
Outstanding Encumbrances	23,927
	<u>1,464,910</u>
Less: Appropriation Refunds	50
	<u>\$ 1,464,860</u>

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

Balance December 31, 2010	\$ 124,865
Increased by:	
Sewer Charges Levied	<u>1,589,049</u>
	1,713,914
Decreased by:	
Collections	<u>1,584,600</u>
Balance December 31, 2011	<u><u>\$ 129,314</u></u>

BOROUGH OF MENDHAM  
SEWER UTILITY OPERATING FUND  
SCHEDULE OF 2010 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2011

	Balance Dec. 31, 2010	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 23,890	\$ 23,890	\$ 1,759	\$ 22,131
Other Expenses	278,603	278,603	67,956	210,647
	<u>\$ 302,493</u>	<u>\$ 302,493</u>	<u>\$ 69,715</u>	<u>\$ 232,778</u>

Analysis of Balance:

Unencumbered	\$ 276,327
Encumbered	26,166
	<u>\$ 302,493</u>

Analysis of Paid or Charged:

Cash Disbursed	<u>\$ 69,715</u>
	<u>\$ 69,715</u>

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

Balance December 31, 2010	\$ 56,673
Increased by:	
Charged to Current Year Budget	114,847
	<u>171,520</u>
Decreased by:	
Interest Paid	127,490
	<u>127,490</u>
Balance December 31, 2011	<u>\$ 44,030</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2011  
UTILITY CAPITAL FUNDS

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

E

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUNDS  
COMPARATIVE BALANCE SHEET

	Sewer Utility Capital Fund	
	December 31,	
	2011	2010
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,046,982	\$ 1,076,152
Due from Current Fund	940	659
Fixed Capital	12,900,635	12,253,620
Fixed Capital Authorized and Uncompleted	<u>1,820,000</u>	<u>2,620,870</u>
 TOTAL ASSETS	 <u>\$ 15,768,557</u>	 <u>\$ 15,951,301</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 2,540,000	\$ 2,740,000
Bond Anticipation Notes Payable	1,763,000	1,789,000
Due to Sewer Utility Operating Fund	12,818	8,503
Improvement Authorizations:		
Funded	103,508	146,170
Unfunded	597,653	663,195
Reserve for:		
Amortization	10,360,635	9,513,620
Deferred Amortization	57,000	831,870
Capital Improvement Fund	168,417	93,417
Fund Balance	<u>165,526</u>	<u>165,526</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 15,768,557</u>	 <u>\$ 15,951,301</u>

BOROUGH OF MENDHAM  
SEWER UTILITY CAPITAL FUND  
ANALYSIS OF CASH

	<u>Receipts</u>			<u>Disbursements</u>		<u>Balance Dec. 31, 2011</u>
	<u>Balance Dec. 31, 2010</u>	<u>Miscel- laneous</u>	<u>Budget Appropriation</u>	<u>Improvement Authori- zations</u>	<u>Miscel- laneous</u>	
Capital Fund Balance	\$ 165,526					\$ 165,526
Capital Improvement Fund	93,417		\$ 75,000			168,417
Due (from)/to Current Fund	(659)				\$ 281	(940)
Due (from)/to Sewer Utility Operating Fund	8,503	\$ 4,315				12,818
<u>Improvement Authorizations:</u>						
Ord.						
<u>No.</u>	<u>Improvement Description</u>					
07-08	Tempe Wick Pump Station	148,848				148,848
09-09	Improvement of Sanitary Sewer System	514,347		\$ 65,542		448,805
04-10	Improvement of Sanitary Sewer System	146,170		42,662		103,508
	<u>\$ 1,076,152</u>	<u>\$ 4,315</u>	<u>\$ 75,000</u>	<u>\$ 108,204</u>	<u>\$ 281</u>	<u>\$ 1,046,982</u>



MENDHAM BOROUGH  
UTILITY CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	<u>Maturities - December 31, 2011</u>		Interest Rate	Balance Dec. 31, 2010	Matured	Balance Dec. 31, 2011
		Date of Maturity	Amount				
Sewer Bonds of 2006	8/15/2006	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%	\$ 2,740,000	\$ 200,000	\$ 2,540,000
					<u>\$ 2,740,000</u>	<u>\$ 200,000</u>	<u>\$ 2,540,000</u>

BOROUGH OF MENDHAM  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE  
YEAR ENDED DECEMBER 31, 2011

Ord. No.	Improvement Description	Ordi- nance	Date of			Interest Rate	Balance		Issued	Matured	Balance	
			Issue of Original Note	Issue	Maturity		Dec. 31, 2010				Dec. 31, 2011	
07-08	Improvement of Sanitary Sewer System	08/18/03	07/18/08	07/15/10	07/14/11	1.00%	\$ 210,000			\$ 210,000		
				07/13/11	07/13/12	0.68%		\$ 205,000		\$ 205,000		
09-09	Improvement of Sanitary Sewer System	06/15/09	07/16/09	07/15/10	07/14/11	1.00%	1,579,000			1,579,000		
				07/13/11	07/13/12	0.68%		1,558,000		1,558,000		
							<u>\$ 1,789,000</u>	<u>\$ 1,763,000</u>	<u>\$ 1,789,000</u>	<u>\$ 1,763,000</u>		
											</	

BOROUGH OF MENDHAM  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2010		Paid or Charged	Balance Dec. 31, 2011	
		Date	Amount	Funded	Unfunded		Funded	Unfunded
07-08	Tempe Wick Pump Station	06/02/08	\$ 220,000		\$ 148,848			\$ 148,848
09-09	Improvement of Sanitary Sewer System	06/15/09	1,600,000		514,347	\$ 65,542		448,805
04-10	Improvement of Sanitary Sewer System	05/01/10	171,000	146,170		42,662	\$ 103,508	
				<u>\$ 146,170</u>	<u>\$ 663,195</u>	<u>\$ 108,204</u>	<u>\$ 103,508</u>	<u>\$ 597,653</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2010</u>	<u>To Reserve for Amorti- zation</u>	<u>Authori- zations Cancelled</u>	<u>Notes Paid From Operating Budget</u>	<u>Balance Dec. 31, 2011</u>
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	157,556	\$ 92,444		
13-07	Improvement of Sanitary Sewer System	06/18/07	274,370	226,803	47,567		
07-08	Tempe Wick Pump Station	06/02/08	10,000			\$ 5,000	\$ 15,000
08-08	Various Improvements	06/02/08	46,500	32,655	13,845		
09-09	Improvement of Sanitary Sewer System	06/15/09	21,000			21,000	42,000
			<u>\$ 831,870</u>	<u>\$ 647,014</u>	<u>\$ 153,856</u>	<u>\$ 26,000</u>	<u>\$ 57,000</u>

BOROUGH OF MENDHAM  
SEWER UTILITY CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2011

Not Applicable

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2011  
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, 2011 AND 2010  
 (Unaudited)

<u>GENERAL FIXED ASSETS:</u>	<u>2011</u>	<u>2010</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, 2010	Additions	Balance Dec. 31, 2011
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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Current Fund:</b>										
General Government	\$ 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	\$ 2,295,163
Public Safety	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	2,018,122
Streets and Roads	759,005	774,564	799,554	778,251	777,010	856,237	864,861	779,013	796,301	821,402
Health and Welfare	90,800	82,370	83,549	92,578	102,193	104,143	121,322	111,891	107,670	97,537
Recreation and Education	117,592	122,292	121,614	107,650	154,124	140,553	122,130	132,696	131,778	132,072
Deferred Charges and Statutory Expenditures	152,360	172,266	212,596	223,822	333,748	386,310	519,274	574,955	606,028	694,226
Capital	34,848	71,000	24,775	51,000	299,500	222,000	200,000	170,000	110,000	50,000
Debt Service	375,908	421,312	471,635	484,720	128,265	492,440	491,596	505,100	503,353	583,437
Reserve for Uncollected Taxes	335,000	335,000	358,500	358,500	408,500	408,500	675,000	675,000	675,000	688,500
<b>Current Fund Budget Totals</b>	<b>4,546,992</b>	<b>4,847,756</b>	<b>5,143,113</b>	<b>5,612,414</b>	<b>5,767,954</b>	<b>6,389,004</b>	<b>6,838,738</b>	<b>7,134,792</b>	<b>7,238,971</b>	<b>7,380,459</b>
<b>Utility Operating Funds:</b>										
Utility Operations	851,770	936,579	976,540	1,121,382	1,098,416	1,125,916	1,083,058	1,196,618	1,226,933	1,249,545
Deferred Charges and Statutory Expenditures	259,100	33,900	23,800	28,370	28,370	28,370	30,500	31,000	35,000	36,000
Capital	200,000	310,000	88,000	200,000		125,000	125,000	75,000	75,000	75,000
Debt Service				72,411	97,510	305,960	304,473	311,703	361,235	340,847
<b>Utility Operating Fund Budget Totals</b>	<b>1,310,870</b>	<b>1,280,479</b>	<b>1,088,340</b>	<b>1,422,163</b>	<b>1,224,296</b>	<b>1,585,246</b>	<b>1,543,031</b>	<b>1,614,321</b>	<b>1,698,168</b>	<b>1,701,392</b>
County Taxes	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	3,322,900
Local and Regional School Taxes	10,721,720	11,307,041	12,043,221	12,792,306	13,396,736	14,028,609	14,700,147	15,393,615	15,775,535	15,740,236
Municipal Open Space Taxes	90,534	108,155	108,376	109,594	109,594	109,594	109,594	109,594	109,594	109,594
Other Expenditures	64,000	1,086	32,545	70,610	66,344	85,412	235,133	1,238	319,194	285,368
<b>TOTAL EXPENDITURES</b>	<b>\$ 19,378,208</b>	<b>\$ 20,502,420</b>	<b>\$ 21,569,602</b>	<b>\$ 23,256,512</b>	<b>\$ 23,825,429</b>	<b>\$ 25,681,114</b>	<b>\$ 26,932,772</b>	<b>\$ 27,809,391</b>	<b>\$ 28,587,120</b>	<b>\$ 28,539,949</b>

Source: Borough records.

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

REVENUE	Fiscal Years Ended December 31,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Current Fund:										
Fund Balance Anticipated	\$ 938,653	\$ 1,066,813	\$ 1,066,813	\$ 900,000	\$ 600,000	\$ 600,000	\$ 700,000	\$ 783,500	\$ 1,003,885	\$ 1,080,500
Miscellaneous Revenue	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	872,577
Receipts from Delinquent Taxes	156,715	168,317	212,853	199,894	126,782	151,948	128,816	164,576	150,158	148,338
Receipts from Current Taxes	<u>2,860,618</u>	<u>2,795,568</u>	<u>3,187,326</u>	<u>3,644,734</u>	<u>4,176,930</u>	<u>4,501,722</u>	<u>5,301,961</u>	<u>5,599,810</u>	<u>5,810,505</u>	<u>5,993,387</u>
Current Fund Budget Totals	<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>	<u>8,094,802</u>
Utility Operating Funds:										
Fund Balance Anticipated	327,602	327,602	200,000	459,317	175,296	175,000	150,000	200,000	200,000	215,000
Water and Sewer Rents	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	1,584,600
Miscellaneous Revenue	<u>30,464</u>	<u>21,560</u>	<u>30,634</u>	<u>64,069</u>	<u>54,087</u>	<u>52,030</u>	<u>28,152</u>	<u>25,513</u>	<u>29,196</u>	<u>22,938</u>
Utility Operating Fund Budget Totals	<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>	<u>1,822,538</u>
Non-Budget Revenues	177,276	176,909	172,355	201,400	205,839	345,170	347,193	292,742	350,511	317,324
Other Credits to Income	369,583	182,525	220,434	220,891	289,638	348,908	484,484	258,096	502,504	614,802
Taxes Allocated to School, County and Open Space	<u>13,456,346</u>	<u>14,373,099</u>	<u>15,305,604</u>	<u>16,151,325</u>	<u>16,766,835</u>	<u>17,621,452</u>	<u>18,315,870</u>	<u>19,059,040</u>	<u>19,330,787</u>	<u>19,172,730</u>
TOTAL REVENUE	<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>	<u>\$ 30,022,196</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
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%
2011	24,658,051	24,477,617	99.26%	148,338	24,625,955	99.87%	133,089	0.54%

Source: Tax Collector.

Table 4

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>
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
2011	0.472	0.746	0.423	0.259	0.008	1.908

\* - 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>
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%
2011	1,291,640,675	1,410,302,723	91.59%

\* - Revaluation year

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM  
TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2011 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	14,226,500	1.10%
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	0.42%
Individual Taxpayer #4		5,224,100	0.40%
Individual Taxpayer #5		4,629,500	0.36%
Individual Taxpayer #6		4,398,200	0.34%
Individual Taxpayer #7		4,294,900	0.33%
Total		<u>\$ 80,794,300</u>	<u>6.26%</u>

Source: Tax Collector.

Table 7

BOROUGH OF MENDHAM  
COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2011  
UNAUDITED

<u>Year Ended December 31,</u>	<u>Equalized Valuation Basis</u>
2011	\$ 1,375,002,453
2010	1,409,626,853
2009	<u>1,496,458,786</u>
	<u>\$ 4,281,088,092</u>
Average equalized valuation of taxable property	
	\$ 1,427,029,364
Borough borrowing margin (3.5% of \$1,427,029,364 )	\$ 49,946,028
Net debt as of December 31, 2011	<u>4,547,857</u>
Borough borrowing margin available	<u>\$ 45,398,171</u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2011, 2010, and 2009.



Table 8

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

<u>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>
2002	5,096	\$ 603,560,457	\$ 3,084,206	0.51%	605
2003	5,097	617,934,292	4,068,512	0.66%	798
2004	5,107	619,289,542	4,034,274	0.65%	790
2005	5,107	626,250,185	3,672,019	0.59%	719
2006	5,101	1,601,473,771	5,255,019	0.33%	1,030
2007	5,053	1,600,887,548	6,086,449	0.38%	1,205
2008	5,076	1,589,321,867	5,088,236	0.32%	1,002
2009	5,080	1,582,998,674	4,970,653	0.31%	978
2010	5,080	1,296,664,611	4,901,297	0.38%	965
2011	5,080	1,291,640,675	4,547,857	0.35%	895

Source: Borough of Mendham Records

(\*) Information provided by U.S. Bureau of the Census, Population Division, 2011 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>
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%
2011	644,287	279,997	924,284	28,539,949	3.24%

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>
2002	1.90 %	\$ 56,515	5,096
2003	1.90 %	56,978	5,097
2004	1.50 %	61,012	5,107
2005	1.50 %	63,227	5,107
2006	1.50 %	68,282	5,101
2007	1.40 %	71,596	5,053
2008	1.80 %	71,527	5,076
2009	3.20 %	68,251	5,080
2010	3.20 %	68,251	5,080
2011	3.20 %	68,251	5,080

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 2011, used 2009 as an estimate

N/A Information unavailable

Table 11

BOROUGH OF MENDHAM  
MISCELLANEOUS STATISTICS  
DECEMBER 31, 2011  
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	229
Emergency medical services:	
Number of Stations	1
Number of Emergency medical personnel and officers	37
Number of calls answered	629
Police protection:	
Number of stations	1
Number of police personnel and officers	14
Number of patrol units	8
Number of law violations	
Physical Arrests	75
Traffic violations	1,094
Parking violations	795
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, 2011

Not Applicable

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2011

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-	01/01/10	12/31/11	\$ 793		\$ 793	\$ 793
		1020-001	01/01/11	12/31/12	1,522	\$ 1,522	1,446	1,446
	Drunk Driving Enforcement Fund	100-066-1110-	01/01/10	12/31/11	2,359			878
		260-YYYY	01/01/11	12/31/12	2,821	2,567	600	600
	Subtotal - Department of Law and Public Safety						4,089	2,839
Department of Environmental Protection	Clean Communities Act	765-042-4900	01/01/10	12/31/11	9,162		2,627	7,453
		004-178910	01/01/11	12/31/12	8,608	8,608	1,732	1,732
	Subtotal - Department of Environmental Protection						8,608	4,359
TOTAL STATE AWARDS						\$ 12,697	\$ 7,198	\$ 12,902

N/A - not available

BOROUGH OF MENDHAM  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2011

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 awards 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, 2011:

Green Acres Program	\$226,219
---------------------	-----------

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.

Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

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, 2011 and have issued our report thereon dated April 6, 2012, 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 Responses as Finding 2011-01 and 2011-02 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 Responses. 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  
April 6, 2012

  
NISIVOCIA LLP

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

BOROUGH OF MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2011

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 2011-1

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 2011-2

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 RESPONSES  
YEAR ENDED DECEMBER 31, 2011  
(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, 2011

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 Responses

**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 January 1, 2011, the bid threshold in accordance with N.J.S. 40A:11-4 is \$17,500.

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 2011, the governing body adopted a resolution authorizing interest to be charged on delinquent taxes including the following:

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

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

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

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

Delinquent Taxes and Tax Title Liens

A tax sale was held during the year ended December 31, 2011. 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>
2011	1
2010	0
2009	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 2011 Taxes	25
Payments of 2012 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, 2011. 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, 2011, except for the fixed assets records more fully described in the preceding Schedule of Findings and Responses.



BOROUGH OF MENDHAM  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Municipal Court

The transactions for the year 2011 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance Dec. 31, 2010	Receipts	Dis- bursements	Balance Dec. 31, 2011
State of New Jersey	\$ 4,246	\$ 71,053	\$ 71,255	\$ 4,044
County	3,188	45,728	46,994	1,922
Municipality	5,911	85,361	87,134	4,138
Other Agencies	440	5,520	5,835	125
Municipality POAA	8	96	92	12
	<u>\$ 13,793</u>	<u>\$ 207,758</u>	<u>\$ 211,310</u>	<u>\$ 10,241</u>

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2010 audit report. The recommendations regarding segregation of duties and fixed assets are repeated from the 2010 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.

\* \* \* \* \*