

**BOROUGH  
OF  
MENDHAM**

Borough of Mendham  
County of Morris  
Mendham, New Jersey

Comprehensive Annual Financial Report  
For the Year Ended December 31, 2012

**Comprehensive Annual  
Financial Report**

of the

**BOROUGH OF MENDHAM**

**Mendham, New Jersey**

**YEAR ENDED DECEMBER 31, 2012**

Prepared by

Borough of Mendham  
Finance Department

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**INTRODUCTORY SECTION**



The Phoenix House circa 1820

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

Telephone: 973-543-7152  
 Fax: 973-543-7202

February 22, 2013

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, 2012, 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 2012 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.

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:**

Moody's Investors Service upgraded the Borough's bond rating from Aa2 to Aa1. The upgrade reflects the Borough's prudent budgetary practices and modest debt levels that resulted in strong reserve and liquidity levels.

Improvements were made to the Borough's IT system. A new server was installed, the router was upgraded, several workstations were upgraded or replaced, and new surge protection was installed.

An energy audit review was performed and documentation submitted for Round 2 of the Direct Install Program. The receipt of additional grant funds will allow the Borough to make energy efficient improvements at the Department of Public Works facility, the Bowers Building, Garabrant Center, Firehouse, Sewage Treatment Plant and Cooperative Nursery School. Similar improvements were made in 2011 to the Phoenix House and the Police Station.

The Borough received a \$250,000 NJDOT grant for the paving of Pleasant Valley Road. This was a joint project with the Township of Mendham, as the road transverses both municipalities.

A bid was awarded for the purchase of a new aerial ladder truck for the Fire Department, defibrillator units were purchased for the Police Department and First Aid Squad, a salt paste liquid anti-icing unit was purchased for the Public Works Department, and new fencing was installed at Borough Park.

In May the NJDEP conducted a facilities and plant audit of the Borough's Wastewater Treatment Facility, and for the fifth consecutive year the facility passed without exception.

Hurricane Sandy struck in late October causing massive destruction along the east coast. Documentation regarding man-hours, emergency power usage, equipment rental, tree removal and repair work has been provided to FEMA in order to recoup some of the cost for the damage the storm caused. Arrangements had been made with the Sisters of Christian Charity to use their facility as a shelter in the event of an emergency, and many made use of it in Sandy's aftermath.

The Borough will begin using social media outlets such as Twitter and Facebook, along with our existing web site and monthly newsletter, to expand the communication outlets available to Borough residents.

**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 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, 2012, the Borough had bonded debt as a result of a bond sale in 2006 of \$5,687,000. The Borough also has temporary debt of \$2,111,206 in the form of bond anticipation notes. The Borough also has \$204,370 in a loan from the State Green Acres Loan Program. In addition, the Borough has unissued capital debt of \$1,532,311 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, 2012, and the amount and percentage of increases or decreases in relation to prior year revenue.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2011</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,646,579	5.43%	\$ 351,079	27.10%
Sewer Rents	1,578,650	5.21%	(5,950)	-0.38%
Miscellaneous Revenue	881,344	2.91%	(14,171)	-1.58%
Receipts from Delinquent Taxes	132,788	0.44%	(15,550)	-10.48%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>5,975,249</u>	<u>19.72%</u>	<u>(18,138)</u>	<u>-0.30%</u>
Municipal Budget Totals-Revenue	<u>10,214,610</u>	<u>33.71%</u>	<u>297,270</u>	<u>3.00%</u>
Nonbudget Revenue	414,249	1.37%	96,925	30.54%
Other Credits to Income	398,683	1.32%	(216,119)	-35.15%
Taxes Allocated to Schools, County and Open Space Trust	<u>19,271,551</u>	<u>63.60%</u>	<u>98,821</u>	<u>0.52%</u>
Total	<u>\$30,299,093</u>	<u>100.00%</u>	<u>\$ 276,897</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 slight 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, while establishing and maintaining reserves and the Borough's strong financial position. The decrease in budgeted revenue other than fund balance is primarily attributable to a decrease in the Borough's use of held reserves as revenue in 2012, and the Borough's desire to have a flat tax for 2012. The decrease 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 decreased over the prior year. The increase in taxes allocated to schools, county and open space trust reflect increases in the required collections of property taxes, which are remitted to those entities. Non-budget revenue increased primarily as a result of reimbursements for the two storms the Borough experienced in 2011.

The following schedule presents a summary of current fund and utility operating funds expenditures for the fiscal year ended December 31, 2012 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 2011</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,355,920	8.19%	\$ 60,757	2.65%
Public Safety	2,057,970	7.16%	39,848	1.97%
Streets and Roads	799,895	2.78%	(21,507)	-2.62%
Health and Welfare	98,385	0.34%	848	0.87%
Recreation and Education	130,285	0.45%	(1,787)	-1.35%
Deferred Charges and Statutory Expenditures	692,305	2.41%	(37,921)	-5.19%
Utility Operating	1,284,788	4.47%	35,243	2.82%
Capital	208,000	0.72%	83,000	66.40%
Debt Service:				
Principal	858,037	2.98%	213,750	33.18%
Interest	259,941	0.90%	(20,056)	-7.16%
Reserve for Uncollected Taxes	695,770	2.42%	7,270	1.06%
Municipal Budget Totals-Expenditures	9,441,296	32.84%	359,445	3.96%
County Taxes	3,374,677	11.74%	51,777	1.56%
Local and Regional School Taxes	15,787,280	54.91%	47,044	0.30%
Municipal Open Space Taxes	109,594	0.38%		0.00%
Other Expenditures	40,053	0.14%	(253,345)	-86.35%
Total	<u>\$28,752,900</u>	<u>100.00%</u>	<u>\$ 204,921</u>	0.72%

The primary reason for the increase in expenditures was the increase in debt service.

**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.

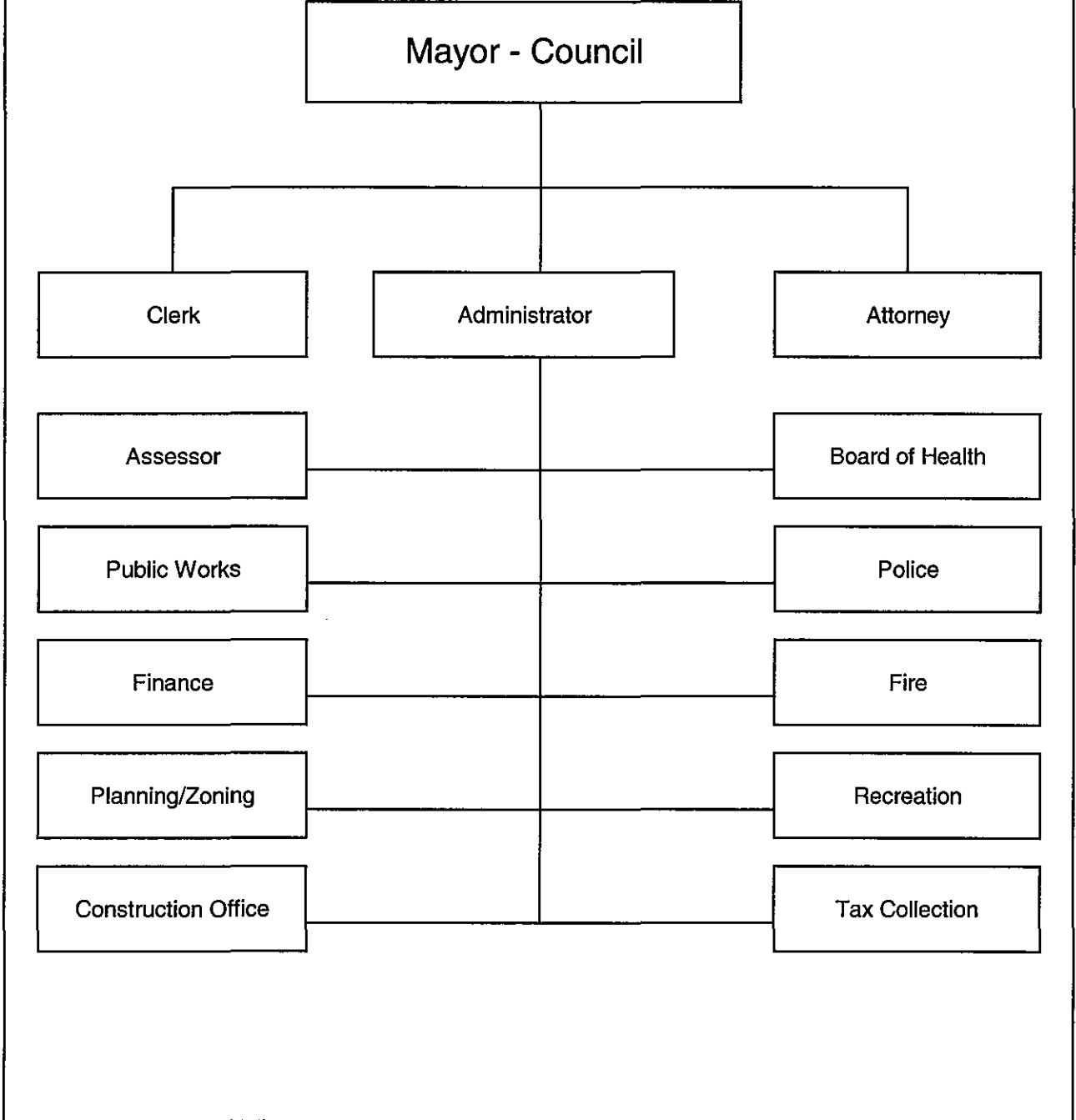
Respectfully submitted,

*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 Witzak, III

Appointed Officials

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

**BOROUGH OF MENDHAM**  
Consultants and Advisors

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

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

**BOND COUNSEL**  
Hawkins, Delafield & Wood, LLP  
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

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

We have audited the financial statements – *regulatory basis* - of the various funds of the Borough of Mendham, in the County of Morris (the "Borough") as of and for the year then ended December 31, 2012 and the related notes to the financial statements, as listed in the foregoing table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which demonstrate 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 as described in Note 1 to the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the eighth 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



The Honorable Mayor and Members  
of the Borough Council  
Borough of Mendham  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* 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, 2012, or the changes in financial position, or where applicable, cash flows thereof, for the year then ended.

***Basis for Qualified Opinion***

The Borough's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. The basis of accounting is not in conformity with U. S. generally accepted accounting principles but is in accordance with the accounting principles prescribed by the Division. As described in Note 1, based upon the underlying accounting records, we have not audited the general fixed assets account group.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects on the December 31, 2012 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements – *regulatory basis* - referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Mendham at December 31, 2012, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended, on the basis of the financial reporting provisions prescribed by the Division, as described in Note 1.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes

The Honorable Mayor and Members  
of the Borough Council  
Borough of Mendham  
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of additional analysis and are not a required part of the basic financial statements.

The supplementary data schedules 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

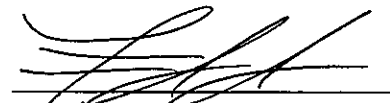
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2013 on our consideration of the Borough of Mendham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Mendham's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
February 22, 2013

  
NISIVOCCIA LLP

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

**GENERAL PURPOSE FINANCIAL STATEMENTS**

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

BOROUGH OF MENDHAM  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2012  
(With Comparative Totals for 2011)

ASSETS AND OTHER DEBITS:	Governmental Funds		Fiduciary Funds	Utility Funds		Account Group	Totals	
	Current	General Capital	Trust and Agency	Operating	Capital	General Fixed Assets (Unaudited)	(Memorandum Only)	
							2012	2011
Assets:								
Cash and Cash Equivalents	\$ 4,658,525	\$ 1,075,830	\$ 1,569,815	\$ 1,159,154	\$ 1,108,559		\$ 9,571,883	\$ 9,331,917
Receivables and Other Assets:								
Property Taxes Receivable	135,128						135,128	133,089
Consumer Accounts Receivable				141,454			141,454	129,314
Federal and State Receivables	13,873	96,759					110,632	30,149
Interfund Receivables	17,575		39,000	1,055			57,630	30,915
Other Receivables	4,738	75,000					79,738	785
at Assessed Valuation	2,900						2,900	2,900
Fixed Assets in General Fixed Assets Account Group						\$ 8,095,999	8,095,999	8,095,999
Total Assets	4,832,739	1,247,589	1,608,815	1,301,663	1,108,559	8,095,999	18,195,364	17,755,068
Other Debits:								
Deferred Charges:								
Emergency Authorizations	27,000						27,000	40,500
Deferred Charges to Future Taxation		5,661,637					5,661,637	4,680,838
Fixed Capital					14,720,635		14,720,635	14,720,635
Total Other Debits	27,000	5,661,637			14,720,635		20,409,272	19,441,973
Total Assets and Other Debits	\$ 4,859,739	\$ 6,909,226	\$ 1,608,815	\$ 1,301,663	\$ 15,829,194	\$ 8,095,999	\$ 38,604,636	\$ 37,197,041
LIABILITIES, RESERVES AND FUND BALANCE:								
Appropriation Reserves	\$ 675,785			\$ 305,826			\$ 981,611	\$ 680,030
Improvement Authorizations		\$ 2,451,910			\$ 698,561		3,150,471	1,180,065
Payroll Deductions And Withholdings			\$ 33,095				33,095	36,680
Accounts Payable - Vendors	139,223			27,296			166,519	166,519
Interfund Payables	39,000	172	17,403		1,055		57,630	30,915
Reserves for Amortization					10,847,385		10,847,385	10,417,635
Various Liabilities and Reserves	1,568,457	327,569	1,558,318	42,157	243,417	\$ 8,095,999	11,835,917	12,217,838
Serial Bonds, Bond Anticipation Notes and Loans Payable		4,129,326			3,873,250		8,002,576	8,856,197
Reserve for Receivables and Other Assets	160,341			141,454			301,795	283,245
Fund Balance	2,276,933	249		784,930	165,526		3,227,638	3,327,917
Total Liabilities, Reserves and Fund Balances	\$ 4,859,739	\$ 6,909,226	\$ 1,608,815	\$ 1,301,663	\$ 15,829,194	\$ 8,095,999	\$ 38,604,636	\$ 37,197,041

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, 2012**

	Current Fund			Utility Operating Funds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES:</b>						
Fund Balance Anticipated	\$ 1,206,487	\$ 1,206,487		\$ 440,092	\$ 440,092	
Sewer Rents				1,481,035	1,578,650	\$ 97,615
Miscellaneous Revenue	847,235	860,841	\$ 13,606	18,000	20,503	2,503
Receipts from Delinquent Taxes	100,000	132,788	32,788			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	5,452,600	5,975,249	522,649			
Municipal Budget Totals - Revenue	7,606,322	8,175,365	569,043	1,939,127	2,039,245	100,118
Non-budget Revenues		414,249	414,249			
Other Credits to Income		202,318	202,318		196,365	196,365
Taxes Allocated to Schools, County and Open Space	19,271,551	19,271,551				
<b>TOTAL REVENUES</b>	<b>26,877,873</b>	<b>28,063,483</b>	<b>1,185,610</b>	<b>1,939,127</b>	<b>2,235,610</b>	<b>296,483</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	2,455,920	2,355,920	100,000			
Public Safety	2,057,970	2,057,970				
Streets and Roads	799,895	799,895				
Health and Welfare	98,385	98,385				
Recreation and Education	130,285	130,285				
Deferred Charges and Statutory Expenditures	656,306	656,305	1	36,000	36,000	
Utility Operating				1,284,788	1,284,788	
Capital	133,000	133,000		75,000	75,000	
Debt Service:						
Principal	428,287	428,287		429,750	429,750	
Interest	150,504	150,490	14	113,589	109,451	4,138
Reserve for Uncollected Taxes	695,770	695,770				
Municipal Budget Totals - Expenditures	7,606,322	7,506,307	100,015	1,939,127	1,934,989	4,138
County Taxes	3,374,677	3,374,677				
Local and Regional School Taxes	15,787,280	15,787,280				
Municipal Open Space Taxes	109,594	109,594				
Other Expenditures		40,053	(40,053)			
<b>TOTAL EXPENDITURES</b>	<b>\$ 26,877,873</b>	<b>26,817,911</b>	<b>59,962</b>	<b>\$ 1,939,127</b>	<b>1,934,989</b>	<b>4,138</b>
Excess/(Deficit) of Revenues over Expenditures		1,245,572	\$ 1,245,572		300,621	\$ 300,621
Fund Balances January 1, 2012		2,237,848			924,401	
Less: Utilized as Anticipated Revenue		1,206,487			440,092	
Fund Balances December 31, 2012		\$ 2,276,933			\$ 784,930	

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

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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, 2012  
(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, 2012  
(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, 2012**  
(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, 2012  
(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, 2012  
(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, 2012, 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	\$ 4,374,685	\$ 283,610		\$4,658,525
General Capital		952,940	122,890		1,075,830
Trust and Agency		557,291	610,154	\$ 402,370	1,569,815
Utility Operating	100	907,869	251,185		1,159,154
Utility Capital		941,763	166,796		1,108,559
	<u>\$ 330</u>	<u>\$ 7,734,548</u>	<u>\$ 1,434,635</u>	<u>\$ 402,370</u>	<u>\$9,571,883</u>

The carrying amount of the Borough's cash and cash equivalents at year end was \$9,571,883 and the bank balance was \$10,028,830. 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, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 17,575	\$ 39,000
General Capital Fund		172
Other Trust Funds	39,000	17,403
Sewer Utility Operating Fund	1,055	
Sewer Utility Capital Fund		1,055
	<u>\$ 57,630</u>	<u>\$ 57,630</u>

The primary interfund activity for 2012 was to establish a Reserve in the Other Trust Fund for Snow Removal due from the Current Fund. The Interfund Receivable due to Current Fund of \$17,575 is made up of \$12,596, which is the Borough portion in the Escrow Account, \$3,754 due from various other trust accounts, \$1,053 is the Statutory Excess in the Animal Control Account, and \$172 Due from General Capital Fund. Interfund receivables in the Current Fund are offset with a full reserve, therefor, creating a restriction on Current Fund fund balance.

**BOROUGH OF MENDHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**  
(Continued)

Note 4: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power have been pledged to the payment of general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2012	2011	2010
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 4,129,326	\$ 4,553,197	\$ 4,966,637
Sewer Utility:			
Bonds, Loans and Notes	3,873,250	4,303,000	4,529,000
Total Issued	<u>8,002,576</u>	<u>8,856,197</u>	<u>9,495,637</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	1,532,311	127,641	127,641
Total authorized but not Issued	<u>1,532,311</u>	<u>127,641</u>	<u>127,641</u>
Less:			
Reserve to Pay Debt Service	<u>72,981</u>	<u>132,981</u>	<u>192,981</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 9,461,906</u>	<u>\$ 8,850,857</u>	<u>\$ 9,430,297</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 .40%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 11,579,817	\$ 11,579,817	
Sewer Utility Debt	3,873,250	3,873,250	
General Debt	5,661,637	72,981	\$ 5,588,656
	<u>\$ 21,114,704</u>	<u>\$ 15,526,048</u>	<u>\$ 5,588,656</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)

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

Net Debt \$5,588,656 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,380,435,915 = .40%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 48,315,257
Net Debt	5,588,656
Remaining Borrowing Power	<u>\$ 42,726,601</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	\$ 2,039,245
Deductions:	
Operating, Maintenance and Debt Service Costs	1,859,989
Excess in Revenue	<u>\$ 179,256</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 12/31/2011	Additions	Retirements	Balance 12/31/2012
General Capital Fund:				
Serial Bonds	\$ 3,647,000		\$ 295,000	\$ 3,352,000
Bond Anticipation Notes	679,978		107,022	572,956
Green Acres Loan	226,219		21,849	204,370
Sewer Utility Capital Fund:				
Serial Bonds	2,540,000		205,000	2,335,000
Bond Anticipation Notes	1,763,000		224,750	1,538,250
Total	<u>\$ 8,856,197</u>	<u>\$ -0-</u>	<u>\$ 853,621</u>	<u>\$ 8,002,576</u>

Schedule of General Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/21/2006	7/12/2013	0.64%	\$ 154,330
Acquisition of Land	7/18/2008	7/12/2013	0.64%	362,626
Paving Various Roads	7/16/2009	7/12/2013	0.64%	56,000
				<u>\$ 572,956</u>

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(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, 2012</u>
	<u>Original Note</u>	<u>Maturity</u>		
Sanitary Sewer System	7/18/2008	7/12/2013	0.64%	\$ 175,000
Sanitary Sewer System	7/16/2009	7/12/2013	0.64%	1,363,250
				<u>\$ 1,538,250</u>

General Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Maturities at December 31, 2012</u>			<u>Balance Dec. 31, 2011</u>	<u>Matured</u>	<u>Balance Dec. 31, 2012</u>
		<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
General Bonds of 2006	8/15/06	08/01/13	\$ 310,000	4.0%	<u>\$ 3,647,000</u>	<u>\$ 295,000</u>	<u>\$ 3,352,000</u>
		08/01/14	325,000	4.0%			
		08/02/15	340,000	4.0%			
		08/03/16	355,000	4.0%			
		08/04/17	370,000	4.0%			
		08/05/18	385,000	4.0%			
		08/06/19	405,000	4.0%			
		08/07/20	420,000	4.0%			
		08/08/21	442,000	4.0%			

Utility Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Maturities at December 31, 2012</u>			<u>Balance Dec. 31, 2011</u>	<u>Matured</u>	<u>Balance Dec. 31, 2012</u>
		<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
Sewer Bonds of 2006	8/15/06	08/01/13	\$ 215,000	4.0%	<u>\$ 2,540,000</u>	<u>\$ 205,000</u>	<u>\$ 2,335,000</u>
		08/01/14	225,000	4.0%			
		08/02/15	235,000	4.0%			
		08/03/16	250,000	4.0%			
		08/04/17	260,000	4.0%			
		08/05/18	270,000	4.0%			
		08/06/19	280,000	4.0%			
		08/07/20	295,000	4.0%			
		08/08/21	305,000	4.0%			

	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>
Green Acres Loan	2/18/2021	2.00%	<u>\$ 204,370</u>

**BOROUGH OF MENDHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**  
(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>
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	370,000	80,880	450,880
2018-2021	1,652,000	168,920	1,820,920
	<u>\$ 3,352,000</u>	<u>\$ 709,320</u>	<u>\$ 4,061,320</u>

Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	260,000	56,400	316,400
2018-2021	1,150,000	117,400	1,267,400
	<u>\$ 2,335,000</u>	<u>\$ 494,200</u>	<u>\$ 2,829,200</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; or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers these two plans which cover substantially all Borough employees. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or the PFRS, the employee may be eligible to enroll in the DCRP.

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 DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)

Note 5: Pension Plans (Cont'd)

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined. For PERS, the contribution rate was 6.5% of base salary from October 1, 2011 thru June 30, 2012 and increased to 6.64% effective July 1, 2012. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. 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. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Borough contributions to PFRS amounted to \$268,853, \$336,035 and \$251,410 for 2012, 2011, and 2010, respectively.

Borough contributions to PERS amounted to \$149,467, \$138,143, and \$120,556 for 2012, 2011, and 2010, 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:



BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)

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

Municipal, Police and Fire Employees:

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

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

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

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

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. 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 2012 the Borough had nine retirees who met the eligibility requirements and recognized expenditures in the amount of \$47,935.35.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)

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. This compensatory time is not eligible to be paid to the employee at separation of employment.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered to be delinquent and the imposition of interest charges is made. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	\$ 1.919	\$ 1.909	\$ 1.900
<u>Apportionment of Tax Rate</u>			
Municipal	.422	.423	.408
County	.263	.259	.266
Local School	.758	.746	.732
Regional High School	.467	.472	.485
Municipal Open Space	.009	.009	.009
<u>Assessed Valuations</u>			
2012	<u>\$1,289,110,375</u>		
2011		<u>\$1,291,640,675</u>	
2010			<u>\$1,296,664,611</u>

The Borough reassessed its property values effective during 2010.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)

Note 8: Selected Tax Information (cont'd)

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>
2012	\$ 24,742,237	\$ 24,551,030	99.22%
2011	24,658,051	24,477,617	99.26%
2010	24,650,522	24,466,292	99.25%

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.

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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)

Note 9: Risk Management (Cont'd)

Financial statements for the year ended December 31, 2012 are not available as of the date of this report. Selected, summarized financial information for the Fund at December 31, 2011 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ 25,146,526
Net Assets	\$ 11,920,742
Total Revenue	\$ 16,900,199
Total Expenses	\$ 16,582,186
Change in Net Assets	\$ 318,013
Net Assets Distribution to Participating Members	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 3,500	\$ 3,945	\$ 67	\$ 21,688	\$ 26,369
2011	3,000	3,892	186	701	40,545
2010	3,000	3,965	191	11,544	34,168

**BOROUGH OF MENDHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**  
(Continued)

Note 10: Fund Balances Appropriated

Fund balances at December 31, 2012, which were appropriated and included as anticipated revenue for the year ending December 31, 2013 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, 2012:

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Additions</u>	<u>Balance</u> <u>Dec. 31, 2012</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>

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, 2012 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, 2012.

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

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
 (Continued)

Note 13: Sale of Water Utility Assets (Cont'd)

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, 2012.

Note 14: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2012, consisted of the following:

Litigation	\$ 380,000
Unappropriated Reserves	68,773
Master Plan	24,706
Tax Sale Premiums	6,600
Sale of Municipal Assets	410,796
Revaluation	11,319
Pending Tax Appeals	256,979
Escrow Deposits - Sale of Water Utility Assets	<u>176,421</u>
	<u>\$ 1,335,594</u>

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, 2012 was \$666,867.

**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  
2012  
CURRENT FUND

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



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MENDHAM BOROUGH  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

	December 31,	
	2012	2011
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,658,295	\$ 4,407,734
Change Fund	230	230
	<u>4,658,525</u>	<u>4,407,964</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	13,873	12,623
	<u>4,672,398</u>	<u>4,420,587</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	135,128	133,089
Tax Title Liens Receivable	2,333	785
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	2,405	
Interfunds Receivable	17,575	17,157
	<u>160,341</u>	<u>153,931</u>
Total Receivables and Other Assets with Full Reserves		
Deferred Charges:		
Special Emergency Authorization	27,000	40,500
	<u>27,000</u>	<u>40,500</u>
<b>TOTAL ASSETS</b>	<b>\$ 4,859,739</b>	<b>\$ 4,615,018</b>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 107,577	\$ 45,460
Unencumbered	568,208	374,111
Total Appropriation Reserves	<u>675,785</u>	<u>419,571</u>
Prepaid Taxes	215,888	244,884
Accounts Payable - Vendors	139,223	139,223
Other Liabilities	16,974	6,147
Interfund Payable	39,000	940
Other Reserves	1,335,595	1,412,474
	<u>2,422,465</u>	<u>2,223,239</u>
Reserve for Receivables and Other Assets	160,341	153,931
Fund Balance	<u>2,276,933</u>	<u>2,237,848</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b>\$ 4,859,739</b>	<b>\$ 4,615,018</b>

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

<u>Revenue and Other Income Realized</u>	<u>Year Ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Fund Balance Utilized	\$ 1,206,487	\$ 1,080,500
Miscellaneous Revenue Anticipated	860,841	872,577
Receipts from:		
Delinquent Taxes	132,788	148,338
Current Taxes	24,551,030	24,477,617
Nonbudget Revenue	414,249	317,324
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	201,610	378,962
Other Credits	708	3,062
Total Income	<u>27,367,713</u>	<u>27,278,380</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	6,810,537	6,691,959
County Taxes	3,374,677	3,322,900
Local School District Taxes	9,771,098	9,635,769
Regional School Taxes	6,016,182	6,104,467
Municipal Open Space Tax	109,594	109,594
Other Debits	40,053	293,398
Total Expenditures	<u>26,122,141</u>	<u>26,158,087</u>
 Excess in Revenue	 1,245,572	 1,120,293
 <u>Fund Balance</u>		
Balance January 1	<u>2,237,848</u>	<u>2,198,055</u>
	3,483,420	3,318,348
Decreased by:		
Utilized as Anticipated Revenue	<u>1,206,487</u>	<u>1,080,500</u>
Balance December 31	<u>\$ 2,276,933</u>	<u>\$ 2,237,848</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,206,487	\$ 1,206,487	
Miscellaneous Revenue:			
Licenses:			
Alcoholic Beverages	6,300	6,300	
Interest and Costs on Taxes	45,000	45,284	\$ 284
Interest on Investments and Deposits	27,000	15,277	11,723 *
Energy Receipts Tax	501,147	501,147	
Uniform Construction Code Fees	93,770	119,324	25,554
Public and Private Revenue			
Offset with Appropriations:			
Clean Communities Program	8,664	8,459	205 *
Body Armor Fund	1,522	1,463	59 *
Drunk Driving Enforcement Fund	2,567	2,322	245 *
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	847,235	860,841	13,606
Receipts from Delinquent Taxes	100,000	132,788	32,788
Amount to be Raised by Taxes for Support of Municipal Budget	<u>5,452,600</u>	<u>5,975,249</u>	<u>522,649</u>
Budget Totals	7,606,322	8,175,365	<u>\$ 569,043</u>
Nonbudget Revenue		<u>414,249</u>	
	<u>\$ 7,606,322</u>	<u>\$ 8,589,613</u>	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Collection of Current Taxes	\$ 24,551,030
Allocated to:	
School, County, and Open Space Taxes	19,271,551
	<u>5,279,479</u>
Add: Appropriation "Reserve for Uncollected Taxes"	695,770
	<u>695,770</u>
Realized for Support of Municipal Budget	<u>\$ 5,975,249</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$ 132,788
	<u>\$ 132,788</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:	
Fees and Permits	\$ 89,724
Municipal Court Fines and Costs	44,524
Rents on Borough-Owned Properties	17,490
Cable Television Franchise Fees	65,863
Prior Year Insurance Refunds	6,961
High School Resource Officer reimbursement	38,221
FEMA	130,223
Statutory Excess-Animal Control	1,053
Other Miscellaneous Income	20,190
	<u>20,190</u>
	<u>\$ 414,249</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012

	<u>Appropriations</u>		<u>Expended By</u>		<u>Un- expended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "Caps":					
General Government:					
General Administration:					
Salaries and Wages	\$ 238,032	\$ 238,032	\$ 233,687	\$ 4,345	
Other Expenses	55,850	55,850	54,490	1,360	
Mayor and Council:					
Salaries and Wages	22,259	22,259	21,501	758	
Other Expenses	11,500	11,500	510	10,990	
Municipal Clerk:					
Salaries and Wages	69,237	69,237	68,740	497	
Financial Administration:					
Salaries and Wages	78,268	78,268	77,700	568	
Other Expenses	21,515	21,215	3,898	17,317	
Annual Audit	36,900	36,900	10,000	26,900	
Computerized Data Processing	15,000	15,300	14,986	314	
Tax Assessment Administration:					
Salaries and Wages	49,787	49,787	49,360	427	
Other Expenses	11,850	11,850	9,269	2,581	
Revenue Administration (Tax Collection):					
Salaries and Wages	31,053	31,053	31,000	53	
Other Expenses	6,040	6,040	4,509	1,531	
Legal Services and Costs:					
Other Expenses	73,000	73,000	59,151	13,849	
Engineering Services and Costs:					
Other Expenses	100,000	100,000	74,096	25,904	
Historic Preservation:					
Other Expenses	8,300	8,300	1,333	6,967	
Public Buildings and Grounds:					
Salaries and Wages	112,739	112,739	104,376	8,363	
Other Expenses	48,200	48,200	36,580	11,620	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Un- expended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Cont'd):					
General Government (continued):					
Municipal Land Use Law(N.J.S.A.40:55D-1):					
Planning Board:					
Other Expenses	\$ 42,500	\$ 42,500	\$ 19,966	\$ 22,534	
Board of Adjustment:					
Other Expenses	16,035	16,035	1,417	14,618	
Insurance:					
Employee Group Health	601,000	601,000	584,043	16,957	
Unemployment Compensation Insurance	2,500	2,500	2,500		
General Liability Insurance	40,538	40,538	40,538		
Workmen's Compensation Insurance	74,990	74,990	74,990		
Public Safety:					
Police:					
Salaries and Wages	1,419,051	1,403,351	1,338,233	65,118	
Other Expenses	96,275	111,975	99,062	12,913	
Contractual Radio Dispatch	111,998	111,998	111,998		
Emergency Management Services	500	500		500	
Aid to Volunteer Fire Company	93,500	93,500	70,590	22,910	
Aid to Volunteer Ambulance Company	34,400	34,400	29,842	4,558	
Fire:					
Salaries and Wages	19,933	19,933	16,533	3,400	
Other Expenses	107,100	107,780	96,688	11,092	
Municipal Prosecutor:					
Other Expenses - Fees	14,000	14,000	10,500	3,500	
Municipal Court:					
Salaries and Wages	90,780	90,780	87,768	3,012	
Other Expenses	55,000	55,000	51,734	3,266	
Public Defender - Other Expenses	2,000	2,000	2,000		
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries and Wages	392,172	364,172	329,837	34,335	
Other Expenses	159,165	159,165	120,197	38,968	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Un- expended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Cont'd):					
Streets and Roads (Cont'd):					
Shade Trees:					
Other Expenses	\$ 11,000	\$ 11,000	\$ 7,231	\$ 3,769	
Kelley Act - Mendham Commons	7,000	7,000	2,443	4,557	
Landfill/Solid Waste Disposal Costs:					
Salaries and Wages	10,285	12,285	10,027	2,258	
Other Expenses	242,973	242,973	241,556	1,417	
Other Expenses - Monitor Well Testing	3,300	3,300	2,606	694	
Health and Welfare:					
Board of Health:					
Salaries and Wages	3,758	3,758	3,740	18	
Other Expenses - Miscellaneous	48,685	48,685	48,340	345	
Visiting Nurse	5,678	5,678	5,519	159	
Environmental Commission:					
Other Expenses	2,280	2,280		2,280	
Animal Control:					
Other Expenses	15,984	15,984	14,004	1,980	
Contributions to Social Service Agency:					
MASH Van	22,000	22,000	17,879	4,121	
Recreation and Education:					
Recreation:					
Salaries and Wages	18,128	18,128	17,000	1,128	
Other Expenses	29,950	29,950	26,621	3,329	
Parks and Playgrounds:					
Salaries and Wages	64,207	59,207	40,712	18,495	
Other Expenses	20,000	23,000	22,142	858	
Construction Code Official:					
Salaries and Wages	95,832	95,832	91,874	3,958	
Other Expenses	7,175	7,175	2,296	4,879	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Unclassified:					
Salary Adjustment Account	\$ 100,000	\$ 100,000			\$ 100,000
Utilities	209,500	236,820	\$ 190,171	\$ 46,649	
Total Operations Within "CAPS"	5,280,702	5,280,702	4,687,783	492,919	100,000
Contingency	2,000	2,000	1,508	492	
Total Operations Including Contingent Within "CAPS"	5,282,702	5,282,702	4,689,291	493,411	100,000
Detail:					
Salaries and Wages					
Other Expenses	5,282,702	5,282,702	4,689,291	493,411	100,000
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":					
Contributions to PERS	145,725	149,475	149,467	8	
Contributions to: Social Security System (O.A.S.I.)	210,700	206,950	190,737	16,213	
Contributions to PFRS	268,853	268,853	268,853		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	625,278	625,278	609,057	16,221	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,907,980	5,907,980	5,298,348	509,632	100,000



MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(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	\$ 197,000	\$ 197,000	\$ 197,000		
Length of Service Award Program	50,000	50,000	550	\$ 49,450	
Public and Private Programs Offset by Revenue:					
Clean Communities	8,663	8,663	786	7,877	
Body Armor Fund	1,523	1,523	1,523		
Drunk Driving Enforcement Fund	2,567	2,567	1,318	1,249	
<b>Total Operations Excluded from "CAPS"</b>	<b>259,753</b>	<b>259,753</b>	<b>201,177</b>	<b>58,576</b>	
Detail:					
Other Expenses	259,753	259,753	201,177	58,576	
Capital Improvements-Excluded from "CAPS" :					
Capital Improvement Fund	133,000	133,000	133,000		
<b>Total Capital Improvements Excluded from "CAPS"</b>	<b>133,000</b>	<b>133,000</b>	<b>133,000</b>		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	295,000	295,000	295,000		
Payment of Bond Anticipation Notes	107,022	107,022	107,022		
Interest on Bonds	145,880	145,880	145,880		
Interest on Notes	4,624	4,624	4,610		\$ 14
Green Trust Loan Program - Principal and Interest	26,265	26,265	26,265		
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	<b>578,791</b>	<b>578,791</b>	<b>578,777</b>		<b>14</b>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations	Expended By		Un- expended Balance Cancelled
	Budget	Paid or Charged	Reserved	
Deferred Charges - Municipal - Special Emergency Authorization	\$ 13,500	\$ 13,500		
Deferred Charges to Future Taxation-Unfunded	17,528	17,527		\$ 1
Total Deferred Charges-Municipal- Excluded from "CAPS"	<u>31,028</u>	<u>31,027</u>		<u>1</u>
Total General Appropriations Excluded from "CAPS"	<u>1,002,572</u>	<u>943,981</u>	\$ 58,576	<u>15</u>
Subtotal General Appropriations	6,910,552	6,242,329	568,208	100,015
Reserve for Uncollected Taxes	<u>695,770</u>	<u>695,770</u>		
Total General Appropriations	<u>\$ 7,606,322</u>	<u>\$ 6,938,099</u>	<u>\$ 568,208</u>	<u>\$ 100,015</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Analysis of Paid or Charged</u>
Cash Disbursed	\$ 6,225,716
Reserve for Uncollected Taxes	695,770
Deferred Charges	13,500
Outstanding Encumbrances	<u>107,577</u>
	7,042,563
Less: Appropriation Refunds	<u>104,464</u>
	<u>\$ 6,938,099</u>

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

Year	Balance	2012 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance
	Dec. 31, 2011		2011	2012				Dec. 31, 2012
2011	\$ 133,089			\$ 132,788		\$ 301		
2012		\$ 24,742,237	\$ 244,884	24,258,896	\$ 47,250	54,532	\$ 1,547	\$ 135,128
	<u>\$ 133,089</u>	<u>\$ 24,742,237</u>	<u>\$ 244,884</u>	<u>\$ 24,391,684</u>	<u>\$ 47,250</u>	<u>\$ 54,833</u>	<u>\$ 1,547</u>	<u>\$ 135,128</u>

Analysis of 2012 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 24,681,006	
Business Personal Property Taxes	44,131	
Added and Omitted Taxes	17,100	
		<u>\$ 24,742,237</u>

Tax Levy:

Regional High School Taxes	6,016,182	
Local School District Taxes	9,771,098	
		\$ 15,787,280
County Taxes	3,372,262	
Due County for Added and Omitted Taxes	2,415	
		3,374,677
Municipal Open Space Tax		109,594
		19,271,551
Local Tax for Municipal Purposes Levied	5,452,600	
Add: Additional Tax Levied	18,086	
		5,470,686
		<u>\$ 24,742,237</u>

MENDHAM BOROUGH  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

	Balance Dec. 31, 2011	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 4,916	\$ 1,416		\$ 1,416
Other Expenses	4,449	9,449	\$ 7,748	1,701
Mayor and Council:				
Salaries and Wages	430	430		430
Other Expenses	439	439	439	
Municipal Clerk:				
Other Expenses	499	499		499
Annual Audit	36,153	36,153	19,000	17,153
Computerized Data Processing	324	324	324	
Financial Administration:				
Salaries and Wages	565	565		565
Other Expenses	17,700	17,700	6,201	11,499
Assessment of Taxes:				
Salaries and Wages	422	422		422
Other Expenses	797	797	456	341
Collection of Taxes:				
Salaries and Wages	223	223		223
Other Expenses	1,858	1,858	195	1,663
Legal Services and Costs	3,303	9,303	7,241	2,062
Engineering Services and Costs:				
Other Expenses	21,004	21,004	5,730	15,274
Historic Preservation:				
Other Expenses	5,595	5,595		5,595
Public Buildings and Grounds:				
Salaries and Wages	4,153	653		653
Other Expenses	2,196	5,696	3,822	1,874
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	37,483	27,983	3,587	24,396
Board of Adjustment:				
Other Expenses	2,328	2,328	549	1,779
Insurance:				
Workmen's Compensation	98	98		98
Group Insurance Plan for Employees	2,840	2,840		2,840
Other Insurance Premiums	80	80		80
Aid to Volunteer Ambulance Company	9,492	9,492	5,287	4,205
Aid to Volunteer Fire Company	9,162	12,662	12,379	283
Fire:				
Other Expenses	10,845	10,845	9,326	1,519
Police:				
Salaries and Wages	24,740	24,740	2,305	22,435
Other Expenses	13,201	11,201	8,212	2,989
Office of Emergency Management:				
Other Expenses	500	500		500
Roads Repairs and Maintenance:				
Salaries and Wages	23,333	18,333	346	17,987
Other Expenses	19,551	26,551	22,949	3,602
Street Lighting	169	169	148	21
Board of Health:				
Other Expenses	19	19		19
Other Expenses - Monitor Well Testing	625	625	122	503

BOROUGH OF MENDHAM  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Balance Dec. 31, 2011	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Kelley Act - Mendham Commons	\$ 3,298	\$ 3,298	\$ 3,298	
Dog Regulation:				
Other Expenses	692	692	660	\$ 32
Landfill/Solid Waste Disposal:				
Salaries and Wages	1,406	1,406	705	701
Other Expenses	28,521	28,521	28,229	292
Other Expenses - Monitor Well Testing	93	93		93
Environmental Commission:				
Other Expenses	1,411	1,411		1,411
Parks and Playgrounds:				
Salaries and Wages	3,165	1,665		1,665
Other Expenses	379	379	60	319
Recreation:				
Salaries and Wages	1,010	1,010		1,010
Other Expenses	2,860	2,860		2,860
Senior Citizens Transportation	7,352	7,352	2,236	5,116
Shade Tree:				
Other Expenses	2,805	2,805		2,805
State Uniform Construction Code:				
Salaries and Wages	3,028	3,028	512	2,516
Other Expenses	2,804	2,804	421	2,383
Fire Official:				
Salaries and Wages	5,465	1,965	847	1,118
Electricity	3,798	5,298	5,194	104
Telephone	3,620	3,620	2,299	1,321
Water	802	802	373	429
Natural Gas	4,109	4,109	2,616	1,493
Gasoline	3,108	5,108	5,061	47
Contingent	33	33	33	
Contribution to:				
Social Security System (O.A.S.I.)	4,974	4,974	224	4,750
Aid to Library	16,250	16,250		16,250
Length of Service Award Program	50,000	50,000	39,850	10,150
Public and Private Programs Offset by Revenue:				
Drunk Driving Enforcement Fund	2,221	2,221	2,221	
Clean Communities Grant	6,875	6,875	6,756	119
	<u>\$ 419,571</u>	<u>\$ 419,571</u>	<u>\$ 217,961</u>	<u>\$ 201,610</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 374,111			
Encumbered	45,460			
Expenditures			\$ 218,037	
Refunds			(76)	
	<u>\$ 419,571</u>		<u>\$ 217,961</u>	

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2012  
GENERAL CAPITAL FUND

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

B

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	December 31,	
	2012	2011
Cash and Cash Equivalents	\$ 1,075,830	\$ 1,021,050
State Grants Receivable	96,759	17,526
Other Receivables	75,000	
Deferred Charges to Future Taxation:		
Funded	3,556,370	3,873,219
Unfunded	2,105,267	807,619
<b>TOTAL ASSETS</b>	<b>\$ 6,909,226</b>	<b>\$ 5,719,414</b>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 3,352,000	\$ 3,647,000
Bond Anticipation Notes Payable	572,956	679,978
Green Acres Loan Payable	204,370	226,219
Improvement Authorizations:		
Funded	928,872	358,352
Unfunded	1,523,038	120,552
Due to Current Fund	172	272
Reserve For:		
Payment of Debt Service	72,981	132,981
Improvements	200,077	521,477
Capital Improvement Fund	54,511	32,441
Fund Balance	249	142
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b>\$ 6,909,226</b>	<b>\$ 5,719,414</b>



BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2011	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2012	
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		
Fund Balance	\$ 142		\$ 107					\$ 249	
Capital Improvement Fund	32,441	\$ 133,000				\$ 110,930		54,511	
Due Current Fund	272		2,315		\$ 2,415			172	
State Grant Receivable	(17,526)	17,526	153,241			250,000		(96,759)	
Other Receivables						75,000		(75,000)	
Reserve to Pay Debt Service	132,981				60,000			72,981	
Reserve for Improvements	521,477					321,400		200,077	
<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	54,951		\$ 2,184				52,767	
07-06	Various Improvements	10,728		10,728					
09-08/	Various								
14-08	Improvements	36,647				36,647			
01-10	Paving Various Roads	7,791				7,791			
05-10	Various Improvements	137,223		93,372		43,000		851	
03-11	Various Improvements	165,963		25,393		92,562		48,008	
3-12	Various Improvements			38,178			\$ 180,000	141,822	
9-12	Various Facility Improvements						11,000	11,000	
10-12	Road Improvements			11,459			26,000	14,541	
11-12	Road Improvements			7,680			250,000	242,320	
13-12	Various Improvements						470,330	470,330	
		<u>\$ 1,021,050</u>	<u>\$ 150,526</u>	<u>\$ 155,663</u>	<u>\$ 188,994</u>	<u>\$ 62,415</u>	<u>\$ 937,330</u>	<u>\$ 937,330</u>	<u>\$ 1,075,830</u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2011	2012 Authori- zations	Notes Paid By Budget Appropriation	Balance Dec. 31, 2012	Analysis of Balance at December 31, 2012		Unexpended Improvement Authori- zations
						Financed by Bond Antici- pation Notes	Expenditures	
4-02/								
9-02	Various Improvements	\$ 57,641			\$ 57,641		\$ 8,471	\$ 49,170
17-04	Various Improvements	70,000			70,000		53,569	16,431
06-06	Various Improvements	192,915		\$ 38,585	154,330	\$ 154,330		
21-07	Acquisition of Land	423,063		60,437	362,626	362,626		
8-09	Paving Various Roads	64,000		8,000	56,000	56,000		
13-12	Various Improvements		\$ 1,404,670		1,404,670			1,404,670
		<u>\$ 807,619</u>	<u>\$ 1,404,670</u>	<u>\$ 107,022</u>	<u>\$ 2,105,267</u>	<u>\$ 572,956</u>	<u>\$ 62,040</u>	<u>\$ 1,470,271</u>
	Improvement Authorizations Unfunded							\$ 1,523,038
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:							
	Ord. No. 6-06							<u>52,767</u>
								<u>\$ 1,470,271</u>

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2011		2012 Authorizations			Paid or Charged	Balance Dec. 31, 2012		
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Other Financing Sources	Deferred Charges to Future Taxation-Unfunded		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		54,951				\$ 2,184		52,767	
07-06	Various Improvements	06/05/06	102,000	\$ 10,728					10,728			
09-08/	Various											
14-08	Improvements	06/02/08	240,000	36,647				\$ (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	137,223				(43,000)	93,372	\$ 851		
03-11	Various Improvements	06/06/11	277,325	165,963				(92,562)	25,393	48,008		
3-12	Various Improvements	05/21/12	180,000					180,000	38,178	141,822		
9-12	Various Facility Improvements	10/01/12	11,000			\$ 11,000				11,000		
10-12	Road Improvements	10/01/12	26,000			26,000			11,459	14,541		
11-12	Road Improvements	10/15/12	250,000				\$ 250,000		7,680	242,320		
13-12	Various Improvements	11/19/12	1,875,000			73,930	396,400	\$ 1,404,670		470,330	1,404,670	
				<u>\$ 358,352</u>	<u>\$ 120,552</u>	<u>\$ 110,930</u>	<u>\$ 646,400</u>	<u>\$ 1,404,670</u>	<u>\$ -0-</u>	<u>\$ 188,994</u>	<u>\$ 928,872</u>	<u>\$ 1,523,038</u>
							Reserve for Improvements	\$ 321,400				
							New Jersey DOT Grant	250,000				
							Proceeds from Sale of Fire Truck	75,000				
								<u>\$ 646,400</u>				

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

Balance December 31, 2011	\$	226,219
Less: Principal matured		21,849
Balance December 31, 2012	\$	204,370

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

Due	Principal	Interest	Loan Balance
			\$ 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	147,807
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	51,243
8/18/2019	12,620	512	38,623
2/18/2020	12,746	386	25,876
8/18/2020	12,874	259	13,002
2/18/2021	13,002	130	
	\$ 204,370	\$ 18,881	

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, 2011	Issued	Matured	Balance Dec. 31, 2012
				Issue	Maturity					
6-06	Various Improvements	\$ 295,000	07/21/06	07/12/11	07/13/12	0.68%	\$ 192,915	\$ 154,330	\$ 192,915	\$ 154,330
				07/13/12	07/12/13	0.64%				
21-07	Acquisition of Land	497,000	07/18/08	07/12/11	07/13/12	0.68%	423,063	362,626	423,063	362,626
				07/13/12	07/12/13	0.64%				
8-09	Paving Various Roads	76,000	07/16/09	07/12/11	07/13/12	0.68%	64,000	56,000	64,000	56,000
				07/13/12	07/12/13	0.64%				
							<u>\$ 679,978</u>	<u>\$ 572,956</u>	<u>\$ 679,978</u>	<u>\$ 572,956</u>
Renewals								\$ 572,956	\$ 572,956	
Funded by Budget Appropriation									107,022	
							<u>\$ 572,956</u>	<u>\$ 679,978</u>		

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	<u>Maturities - December 31, 2012</u>			Interest Rate	Balance Dec. 31, 2011	Matured	Balance Dec. 31, 2012
		Date of Maturity	Amount					
General Bonds of 2006	8/15/2006	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%			
					\$ 3,647,000	\$ 295,000	\$ 3,352,000	
					<u>\$ 3,647,000</u>	<u>\$ 295,000</u>	<u>\$ 3,352,000</u>	

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2011</u>	<u>2012 Authori- zations</u>	<u>Balance Dec. 31, 2012</u>
4-02/ 9-02	Various Improvements	\$ 57,641		\$ 57,641
17-04	Various Improvements	70,000		70,000
13-12	Various Improvements		\$ 1,404,670	1,404,670
		<u>\$ 127,641</u>	<u>\$ 1,404,670</u>	<u>\$ 1,532,311</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2012  
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, 2012  
(With Comparative Totals for 2011)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2012	2011
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 8,737	\$ 1,517,050	\$ 10,933	\$ 33,095	\$ 1,569,815	\$ 1,612,422
Interfunds Receivable		39,000			39,000	
<b>TOTAL ASSETS</b>	<b>\$ 8,737</b>	<b>\$ 1,556,050</b>	<b>\$ 10,933</b>	<b>\$ 33,095</b>	<b>\$ 1,608,815</b>	<b>\$ 1,612,422</b>
<u>LIABILITIES AND RESERVES</u>						
Due to State of New Jersey Board of Health	\$ 12				\$ 12	
Interfunds Payable	1,053	\$ 16,350			17,403	\$ 16,820
Payroll Deductions and Withholdings				\$ 33,095	33,095	36,680
Reserve for Animal Control Fund Expenditures	7,672				7,672	4,367
Reserve for Other Trust Funds		1,539,701			1,539,701	1,543,619
Reserve for Public Assistance			\$ 10,933		10,933	10,936
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>\$ 8,737</b>	<b>\$ 1,556,050</b>	<b>\$ 10,933</b>	<b>\$ 33,095</b>	<b>\$ 1,608,815</b>	<b>\$ 1,612,422</b>

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

Balance December 31, 2011	\$	4,367
Increased by:		
License Fees Collected		6,169
		10,536
Decreased by:		
Expenditures Under R.S.4:19-15.11		1,811
Statutory Excess Due to Current Fund		1,053
		1,053
Balance December 31, 2012	\$	7,672

License Fees Collected

<u>Year</u>	<u>Amount</u>
2010	\$ 3,782
2011	3,890
	7,672
Maximum Allowable Reserve	\$ 7,672

BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF OTHER TRUST RESERVES

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Reserve for:				
Special Deposits	\$ 88,621	\$ 1,012	\$ 48,107	\$ 41,526
Special Engineering Deposits	46,901	3,685	18,707	31,879
Andrew Fletcher Trust Fund	287,243		37,500	249,743
State Unemployment Trust Fund	40,545	7,513	21,688	26,369
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,089	256		2,345
Police Assets Forfeiture	1,521	3	3	1,521
Police Special Duty	47,797	105,465	104,785	48,477
Recreation Fund	91,389	78,487	73,565	96,310
Recycling Tonnage Fund	119,199	18,611		137,810
Landfill Closure Escrow	1,177			1,177
Open Space	642,705	110,808	86,646	666,867
Housing Trust	111,033	38,397	25,112	124,318
Other Trust Funds	60,111	67,930	58,970	69,070
Snow Removal		39,000		39,000
Total	<u>\$ 1,543,619</u>	<u>\$ 471,166</u>	<u>\$ 475,084</u>	<u>\$ 1,539,701</u>

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BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2011	\$ 10,936
Increased by Receipts:	
Interest	20
	<hr/> 10,956
Decreased by Disbursements:	
Due to Current Fund	23
	<hr/> 23
Balance December 31, 2012	<u>\$ 10,933</u>

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

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 36,680	\$ 4,727,904	\$ 4,731,539	\$ 33,045
TOTAL ASSETS	<u>\$ 36,680</u>	<u>\$ 4,727,904</u>	<u>\$ 4,731,539</u>	<u>\$ 33,045</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 36,680	\$ 4,727,904	\$ 4,731,539	\$ 33,045
TOTAL LIABILITIES	<u>\$ 36,680</u>	<u>\$ 4,727,904</u>	<u>\$ 4,731,539</u>	<u>\$ 33,045</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2012  
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

D

BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
COMPARATIVE BALANCE SHEET

	Sewer Utility Operating Fund December 31,	
<u>ASSETS</u>	2012	2011
Cash and Cash Equivalents	\$ 1,159,054	\$ 1,243,399
Change Fund	100	100
	1,159,154	1,243,499
Due from Sewer Utility Capital Fund	1,055	12,818
Receivables with Full Reserves:		
Consumer Accounts Receivable	141,454	129,314
	\$ 1,301,663	\$ 1,385,631
<b>TOTAL ASSETS</b>		
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves:		
Unencumbered	\$ 279,328	\$ 236,532
Encumbered	26,498	23,927
Total Appropriation Reserves	305,826	260,459
Interfunds Payable		65
Accounts Payable - Vendors	27,296	27,296
Accrued Interest on Bonds and Notes	39,925	44,030
Sewer Rent Overpayments	2,232	66
	375,279	331,916
Reserve for Receivables	141,454	129,314
Fund Balance	784,930	924,401
	\$ 1,301,663	\$ 1,385,631
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		

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

	Sewer Utility Operating Fund Year Ended December 31,	
	2012	2011
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 440,092	\$ 215,000
Sewer Fees and Charges	1,578,650	1,584,600
Miscellaneous Revenue	20,503	22,938
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	196,365	232,778
Total Income	2,235,610	2,055,316
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,284,788	1,249,545
Capital Improvements	75,000	75,000
Debt Service	539,201	340,847
Statutory Expenditures	36,000	36,000
Total Expenditures	1,934,989	1,701,392
Excess in Revenue	300,621	353,924
<u>Fund Balance</u>		
Balance January 1	924,401	785,477
	1,225,022	1,139,401
Decreased by:		
Utilized as Anticipated Revenue	440,092	215,000
Balance December 31	\$ 784,930	\$ 924,401



BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF REVENUES  
YEAR ENDED DECEMBER 31, 2012

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 440,092	\$ 440,092
Sewer Fees and Charges	1,481,035	1,578,650
Miscellaneous Revenue	18,000	20,503
	\$ 1,939,127	\$ 2,039,245

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 4,740
Sewer Inspection Fees	7,039
Delinquent Payment Penalties	8,724
	\$ 20,503

**BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012**

	Sewer Utility Operating Fund				Unex- pended Balance Cancelled
	Appropriations		Expended by		
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 446,013	\$ 446,013	\$ 420,477	\$ 25,536	
Other Expenses	838,775	838,775	588,816	249,959	
Total Operating	<u>1,284,788</u>	<u>1,284,788</u>	<u>1,009,293</u>	<u>275,495</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	224,750	224,750	224,750		
Payment of Bond Principal	205,000	205,000	205,000		
Interest on Bonds	101,600	101,600	98,500		\$ 3,100
Interest on Notes	11,989	11,989	10,951		1,038
Total Debt Service	<u>543,339</u>	<u>543,339</u>	<u>539,201</u>		<u>4,138</u>
Statutory Expenditures:					
Social Security System (O.A.S.I.)	35,000	35,000	31,167	3,833	
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>32,167</u>	<u>3,833</u>	
	<u>\$ 1,939,127</u>	<u>\$ 1,939,127</u>	<u>\$ 1,655,661</u>	<u>\$ 279,328</u>	<u>\$ 4,138</u>

Analysis of Paid or Charged:

Cash Disbursed	\$ 1,520,957
Accrued Interest on Debt	109,451
Outstanding Encumbrances	26,498
	<u>1,656,906</u>
Less: Appropriation Refunds	1,245
	<u>\$ 1,655,661</u>

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

Balance December 31, 2011	\$ 129,314
Increased by:	
Sewer Charges Levied	1,590,790
	<hr/> 1,720,104
Decreased by:	
Collections	1,578,650
	<hr/> 1,578,650
Balance December 31, 2012	<u>\$ 141,454</u>

BOROUGH OF MENDHAM  
SEWER UTILITY OPERATING FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 24,194	\$ 24,194	\$ 1,312	\$ 22,882
Other Expenses	233,240	233,240	61,600	171,640
Social Security	3,025	3,025	1,182	1,843
	<u>\$ 260,459</u>	<u>\$ 260,459</u>	<u>\$ 64,094</u>	<u>\$ 196,365</u>
<u>Analysis of Balance:</u>				
Unencumbered	\$ 236,532			
Encumbered	23,927			
	<u>\$ 260,459</u>			
<u>Analysis of Paid or Charged:</u>				
Cash Disbursed			<u>\$ 64,094</u>	
			<u>\$ 64,094</u>	

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

Balance December 31, 2011	\$ 44,030
Increased by:	
Charged to Current Year Budget	<u>109,451</u>
	153,481
Decreased by:	
Interest Paid	<u>113,556</u>
Balance December 31, 2012	<u>\$ 39,925</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2012  
UTILITY CAPITAL FUNDS

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

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BOROUGH OF MENDHAM  
UTILITY CAPITAL FUNDS  
COMPARATIVE BALANCE SHEET

	Sewer Utility Capital Fund December 31,	
	2012	2011
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,108,559	\$ 1,046,982
Due from Current Fund		940
Fixed Capital	12,900,635	12,900,635
Fixed Capital Authorized and Uncompleted	1,820,000	1,820,000
 TOTAL ASSETS	 \$ 15,829,194	 \$ 15,768,557
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 2,335,000	\$ 2,540,000
Bond Anticipation Notes Payable	1,538,250	1,763,000
Due to Sewer Utility Operating Fund	1,055	12,818
Improvement Authorizations:		
Funded	103,508	103,508
Unfunded	595,053	597,653
Reserve for:		
Amortization	10,565,635	10,360,635
Deferred Amortization	281,750	57,000
Capital Improvement Fund	243,417	168,417
Fund Balance	165,526	165,526
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 \$ 15,829,194	 \$ 15,768,557

BOROUGH OF MENDHAM  
SEWER UTILITY CAPITAL FUND  
ANALYSIS OF CASH

	<u>Receipts</u>			<u>Disbursements</u>		<u>Balance Dec. 31, 2012</u>
	<u>Balance Dec. 31, 2011</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	168,417		\$ 75,000			243,417
Due (from)/to Current Fund	(940)	\$ 1,076			\$ 136	
Due (from)/to Sewer Utility Operating Fund	12,818	2,554			14,317	1,055
<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	448,805		\$ 2,600		446,205
04-10	Improvement of Sanitary Sewer System	103,508				103,508
		<u>\$ 1,046,982</u>	<u>\$ 3,630</u>	<u>\$ 75,000</u>	<u>\$ 2,600</u>	<u>\$ 14,453</u>
				<u>\$ 2,600</u>	<u>\$ 14,453</u>	<u>\$ 1,108,559</u>



MENDHAM BOROUGH  
UTILITY CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Matured	Balance Dec. 31, 2012
		Date of Maturity	Amount				
Sewer Bonds of 2006	8/15/2006	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%	\$ 2,540,000	\$ 205,000	\$ 2,335,000	
				\$ 2,540,000	\$ 205,000	\$ 2,335,000	

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

Ord. No.	Improvement Description	Ordinance	Date of			Interest Rate	Balance		Balance Dec. 31, 2012	
			Issue of Original Note	Issue	Maturity		Dec. 31, 2011	issued		Matured
07-08	Improvement of Sanitary Sewer System	08/18/03	07/18/08	07/12/11	07/13/12	0.68%	\$ 205,000		\$ 205,000	
				07/13/12	07/12/13	0.64%		\$ 175,000	\$ 175,000	
09-09	Improvement of Sanitary Sewer System	06/15/09	07/16/09	07/12/11	07/13/12	0.68%	1,558,000		1,558,000	
				07/13/12	07/12/13	0.64%		1,363,250	1,363,250	
							<u>\$ 1,763,000</u>	<u>\$ 1,538,250</u>	<u>\$ 1,763,000</u>	<u>\$ 1,538,250</u>
								\$ 1,538,250	\$ 1,538,250	
									224,750	
							<u>\$ 1,538,250</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, 2011		Paid or Charged	Balance Dec. 31, 2012	
		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		448,805	\$ 2,600		446,205
04-10	Improvement of Sanitary Sewer System	05/01/10	171,000	\$ 103,508			\$ 103,508	
				<u>\$ 103,508</u>	<u>\$ 597,653</u>	<u>\$ 2,600</u>	<u>\$ 103,508</u>	<u>\$ 595,053</u>

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

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Date of</u> <u>Ordinance</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Notes Paid</u> <u>From Operating</u> <u>Budget</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
07-08	Tempe Wick Pump Station	06/02/08	\$ 15,000	\$ 30,000	\$ 45,000
09-09	Improvement of Sanitary Sewer System	06/15/09	<u>42,000</u>	<u>194,750</u>	<u>236,750</u>
			<u>\$ 57,000</u>	<u>\$ 224,750</u>	<u>\$ 281,750</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2012  
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, 2012 AND 2011  
(Unaudited)

<u>GENERAL FIXED ASSETS:</u>	<u>2012</u>	<u>2011</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)

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Additions</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
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
<b>Total</b>	<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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Current Fund:</b>										
General Government	\$ 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	\$ 2,355,920
Public Safety	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	2,057,970
Streets and Roads	774,564	799,554	778,251	777,010	856,237	864,861	779,013	796,301	821,402	799,895
Health and Welfare	82,370	83,549	92,578	102,193	104,143	121,322	111,891	107,670	97,537	98,385
Recreation and Education	122,292	121,614	107,650	154,124	140,553	122,130	132,696	131,778	132,072	130,285
Deferred Charges and Statutory Expenditures	172,266	212,596	223,822	333,748	386,310	519,274	574,955	606,028	694,226	656,305
Capital	71,000	24,775	51,000	299,500	222,000	200,000	170,000	110,000	50,000	133,000
Debt Service	421,312	471,635	484,720	128,265	492,440	491,596	505,100	503,353	583,437	578,777
Reserve for Uncollected Taxes	335,000	358,500	358,500	408,500	408,500	675,000	675,000	675,000	688,500	695,770
<b>Current Fund Budget Totals</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>7,506,307</b>
<b>Utility Operating Funds:</b>										
Utility Operations	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	1,284,788
Deferred Charges and Statutory Expenditures	33,900	23,800	28,370	28,370	28,370	30,500	31,000	35,000	36,000	36,000
Capital	310,000	88,000	200,000		125,000	125,000	75,000	75,000	75,000	75,000
Debt Service			72,411	97,510	305,960	304,473	311,703	361,235	340,847	539,201
<b>Utility Operating Fund Budget Totals</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>	<b>1,934,989</b>
County Taxes	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	3,374,677
Local and Regional School Taxes	11,307,041	12,043,221	12,792,306	13,396,736	14,028,609	14,700,147	15,393,815	15,775,535	15,740,236	15,787,280
Municipal Open Space Taxes	108,155	108,376	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594
Other Expenditures	1,086	32,545	70,610	66,344	85,412	235,133	1,238	319,194	285,368	40,053
<b>TOTAL EXPENDITURES</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>	<b>\$ 28,752,900</b>

Source: Borough records.

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

REVENUE	Fiscal Years Ended December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Current Fund:</b>										
Fund Balance Anticipated	\$ 1,066,813	\$ 1,066,813	\$ 900,000	\$ 600,000	\$ 600,000	\$ 700,000	\$ 783,500	\$ 1,003,885	\$ 1,080,500	\$ 1,206,487
Miscellaneous Revenue	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	860,841
Receipts from Delinquent Taxes	168,317	212,853	199,894	126,782	151,948	128,816	164,576	150,158	148,338	132,788
Receipts from Current Taxes	2,795,568	3,187,326	3,644,734	4,176,930	4,501,722	5,301,961	5,599,810	5,810,505	5,993,387	5,975,249
<b>Current Fund Budget Totals</b>	<b>5,180,751</b>	<b>5,708,935</b>	<b>6,049,599</b>	<b>6,297,805</b>	<b>6,778,163</b>	<b>7,353,257</b>	<b>7,690,245</b>	<b>7,961,039</b>	<b>8,094,802</b>	<b>8,175,365</b>
<b>Utility Operating Funds:</b>										
Fund Balance Anticipated	327,602	200,000	459,317	175,296	175,000	150,000	200,000	200,000	215,000	440,092
Water and Sewer Rents	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	1,578,650
Miscellaneous Revenue	21,560	30,634	64,069	54,087	52,030	28,152	25,513	29,196	22,938	20,509
<b>Utility Operating Fund Budget Totals</b>	<b>1,359,271</b>	<b>1,251,474</b>	<b>1,542,873</b>	<b>1,278,252</b>	<b>1,597,910</b>	<b>1,783,960</b>	<b>1,827,337</b>	<b>1,800,064</b>	<b>1,822,538</b>	<b>2,039,245</b>
<b>Non-Budget Revenues</b>	<b>176,909</b>	<b>172,355</b>	<b>201,400</b>	<b>205,839</b>	<b>345,170</b>	<b>347,193</b>	<b>292,742</b>	<b>350,511</b>	<b>317,324</b>	<b>414,249</b>
Other Credits to Income	182,525	220,434	220,891	289,638	348,908	484,484	258,096	502,504	614,802	398,683
Taxes Allocated to School, County and Open Space	14,373,099	15,305,604	16,151,325	16,766,835	17,621,452	18,315,870	19,059,040	19,330,787	19,172,730	19,271,551
<b>TOTAL REVENUE</b>	<b>\$ 21,272,555</b>	<b>\$ 22,658,802</b>	<b>\$ 24,166,088</b>	<b>\$ 24,838,369</b>	<b>\$ 26,691,603</b>	<b>\$ 28,284,764</b>	<b>\$ 29,127,460</b>	<b>\$ 29,944,905</b>	<b>\$ 30,022,196</b>	<b>\$ 30,299,093</b>

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
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%
2012	24,742,237	24,551,030	99.22%	132,788	24,683,818	99.76%	135,128	0.55%

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>
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
2012	0.467	0.758	0.422	0.263	0.009	1.919

\* - 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>
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%
2012	1,289,110,375	1,377,289,533	93.60%

\* - Revaluation year

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM  
TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2012 Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
V-Fee	Shopping Center	\$ 22,000,000	1.71%
Roxiticus Golf Club	Golf and Tennis Club	14,178,100	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	0.41%
Individual Taxpayer #5		4,629,500	0.36%
Individual Taxpayer #6		4,607,900	0.36%
Individual Taxpayer #7		4,398,200	0.34%
Total		<u>\$ 81,058,900</u>	<u>6.29%</u>

Source: Tax Collector.

Table 7

BOROUGH OF MENDHAM  
COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2012  
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2012	\$ 1,356,678,440
2011	1,375,002,453
2010	<u>1,409,626,853</u>
	<u>\$ 4,141,307,746</u>
Average equalized valuation of taxable property	\$ 1,380,435,915
Borough borrowing margin (3.5% of \$1,380,435,915 )	\$ 48,315,257
Net debt as of December 31, 2012	<u>5,588,656</u>
Borough borrowing margin available	<u>\$ 42,726,601</u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2012, 2011, and 2010.

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>
2003	5,098	\$ 617,934,292	\$ 4,068,512	0.66%	798
2004	5,108	619,289,542	4,034,274	0.65%	790
2005	5,109	626,250,185	3,672,019	0.59%	719
2006	5,079	1,601,473,771	5,255,019	0.33%	1,035
2007	5,031	1,600,887,548	6,086,449	0.38%	1,210
2008	5,054	1,589,321,867	5,088,236	0.32%	1,007
2009	5,058	1,582,998,674	4,970,653	0.31%	983
2010	4,986	1,296,664,611	4,901,297	0.38%	983
2011	5,008	1,291,640,675	4,547,857	0.35%	895
2012 *	5,008	1,289,110,375	5,588,656	0.43%	1,116

Source: Borough of Mendham Records

(\*) Information provided by U.S. Bureau of the Census, Population Division, 2012 numbers not available, used 2011 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**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2012	858,037	259,941	1,117,978	28,752,900	3.89%

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>
2003	1.90 %	\$ 56,804	5,098
2004	1.50 %	60,780	5,108
2005	1.50 %	62,930	5,109
2006	1.50 %	67,918	5,079
2007	1.40 %	71,191	5,031
2008	1.80 %	74,025	5,054
2009	3.20 %	67,614	5,058
2010	3.20 %	69,811	4,986
2011	3.20 %	69,811	5,008
2012	3.10 %	69,811	5,008

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 2012, used 2011 as an estimate  
 N/A Information unavailable

Table 11

**BOROUGH OF MENDHAM**  
**MISCELLANEOUS STATISTICS**  
**DECEMBER 31, 2012**  
**UNAUDITED**

Date of Incorporation		May 15, 1906
Form of Government		Borough
Number of Employees	Full Time	32
	Part Time	24
Area in square miles		6
<b>Borough of Mendham Facilities and Services :</b>		
Miles of streets		33.66
Number of street lights		205
<b>Culture and Recreation:</b>		
Community Centers		2
Parks		9
Park acreage		245
Tennis courts		4
<b>Fire protection:</b>		
Number of Stations		1
Number of Fire personnel and officers		60
Number of calls answered		343
Number of inspections conducted		335
<b>Emergency medical services:</b>		
Number of Stations		1
Number of Emergency medical personnel and officers		37
Number of calls answered		536
<b>Police protection:</b>		
Number of stations		1
Number of police personnel and officers		13
Number of patrol units		8
Number of law violations		
Physical Arrests		40
Traffic violations		681
Parking violations		121
<b>Sewerage System:</b>		
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
<b>Facilities and services not included in the primary government:</b>		
<b>Cable Television System:</b>		
Miles of service		20
Number of satellite receiving stations		25
<b>Education:</b>		
Number of elementary schools		2
<b>Employees:</b>		
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, 2012**

Name of Federal Agency or Department	Name of Program	CFDA Number	Grant Period		State Grant #	Grant Award	Amount Received	Amount of Expenditures
			From	To				
U.S. Department of Homeland Security: (Passed through New Jersey State Police)	Disaster Grants - Public Assistance - F.E.M.A.	97.036	1/1/2011	12/31/2012	N/A	\$ 130,223	\$ 130,223 *	\$ 130,223
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	DOT Grant-Pleasant Valley Road	20.205	1/1/2012	12/31/2013	N/A	204,322	153,241	7,680
<b>TOTAL FEDERAL AWARDS</b>						<b>\$ 334,545</b>	<b>\$ 283,464</b>	<b>\$ 137,903</b>

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2012**

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
			From	To				
Department of Law and Public Safety	Body Armor Replacement Fund	98-718-066-1020-001	01/01/12	12/31/13	\$ 1,523	\$ 1,463	\$ 1,523	\$ 1,523
	Drunk Driving Enforcement Fund	100-066-1110-260-YYYY	01/01/11 01/01/12	12/31/12 12/31/13	2,821 2,567	2,221 2,322	2,221 1,318	2,821 1,318
Subtotal - Department of Law and Public Safety						3,785	5,062	5,662
Department of Environmental Protection	Clean Communities Act	765-042-4900 004-178910	01/01/11 01/01/12	12/31/13 12/31/13	8,608 8,664	8,458	6,756 786	8,489 786
Subtotal - Department of Environmental Protection						8,458	7,542	9,275
<b>TOTAL STATE AWARDS</b>						<b>\$ 12,243</b>	<b>\$ 12,604</b>	<b>\$ 14,937</b>

\* - expenditures occurred in prior year.

N/A - not available

BOROUGH OF MENDHAM  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2012

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, 2012:

Green Acres Program	\$204,370
---------------------	-----------

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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Mendham, in the County of Morris (the "Borough") as of, and for the years ended, December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated February 22, 2013. These financial statements have been prepared in conformity with accounting principles prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed asset account group.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2012-01, and 2012-02 that we consider to be a significant deficiency.

### **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*. However, we noted certain matters that we reported to management in the comments and recommendations section of this report.

### **The Borough's Response to the Finding**

The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey  
February 22, 2013

  
NISIVOCCIA LLP

  
\_\_\_\_\_  
Francis J. Jones

Certified Public Accountant  
Registered Municipal Accountant No. 442



BOROUGH OF MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2012

Summary of Auditors' Results:

- A qualified report was issued on the Borough's financial statements, prepared in conformity with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as the general fixed assets account group was not audited.
- 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 the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2012 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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 2012-1

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. 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 2012-2

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, 2012  
(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, 2012

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 2012, 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, 2012. 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>
2012	2
2011	1
2010	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 2012 Taxes	25
Payments of 2013 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, 2012. 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, 2012, 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 2012 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Balance</u> Dec. 31, 2011	<u>Receipts</u>	<u>Dis-</u> <u>bursements</u>	<u>Balance</u> Dec. 31, 2012
State of New Jersey	\$ 4,044	\$ 45,547	\$ 47,491	\$ 2,100
County	1,922	23,426	24,384	964
Municipality	4,138	44,838	44,524	4,452
Other Agencies	125	2,997	3,122	
Municipality POAA	12	58	68	2
	<u>\$ 10,241</u>	<u>\$ 116,866</u>	<u>\$ 119,589</u>	<u>\$ 7,517</u>

SUI Trust Account

During our review of the SUI trust account we noted that the balance in the trust account decreased by \$14,000 during 2012 to \$26,369. As a result of several years of low interest rates and the extension of unemployment benefits, the SUI trust account could be depleted in the next two years if operations are similar to 2012. We suggest that the Borough review the operations of the SUI trust and determine whether contributions should be increased in 2013 and beyond.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2011 audit report. The recommendations regarding segregation of duties and fixed assets are repeated from the 2011 report.



BOROUGH OF MENDHAM  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The Borough implement a fixed assets accounting and reporting system.

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