

**BOROUGH
OF
MENDHAM**

Borough of Mendham
County of Morris
Mendham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended December 31, 2013

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF MENDHAM

Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2013

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 19, 2014

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, 2013, 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 2013 population is an estimated 5,018 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, Alcatel Lucent, 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 5,018. 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:

Funds have been received from the federal government for damages sustained from Hurricane Sandy in October of 2012. The Borough continues to process documentation for further reimbursement from FEMA.

The State of New Jersey Hazard Mitigation Program awarded the Borough a grant for the purchase of 3 generators for backup power at our Wastewater Treatment Facility lift stations, and for 1 generator to enable the Garabrant Center to be used as a warming station in the event of future disasters like Hurricane Sandy.

Through the Police Department, the Everbridge Program was established. This is an emergency mass notification system for citizen alerts. The Police Department has started the process to obtain accreditation from the New Jersey State Association of Chiefs of Police.

The Fire Department took possession of their new Pierce Aerial Fire Truck.

Traffic signal improvements were made at the intersection of Main Street and Mountain Avenue/Hilltop Road. The cost of this improvement was shared with the County of Morris. Pleasant Valley Road, Balbrook Drive and Bliss Road were paved as part of the Borough's continuing paving program. An Open House was held on May 11, 2013 at the Public Works Department, in conjunction with Shredding and Electronics Recycling Day. The facility was open for tours and all of the department's equipment was on display.

The Environmental Commission initiated a cleanup of India Brook Park.

New banner poles were installed on Main Street, and a banner policy was established.

A new Dental/Vision Plan from the Guardian Insurance Company was established and offered to Borough employees at their own expense. Mendham Borough was named number one in N.J. Monthly Magazine's 2013 Top Towns Survey.

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, 2013, the Borough had bonded debt as a result of a bond sale in 2006 of \$5,162,000. The Borough also has temporary debt of \$2,966,870 in the form of bond anticipation notes. The Borough also has \$182,081 in a loan from the State Green Acres Loan Program. In addition, the Borough has unissued capital debt of \$344,875 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, 2013, 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 2012</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,622,196	5.25%	\$ (24,383)	-1.48%
Sewer Rents	1,591,825	5.16%	13,175	0.83%
Miscellaneous Revenue	878,356	2.84%	(2,988)	-0.34%
Receipts from Delinquent Taxes	134,803	0.44%	2,015	1.52%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>6,048,282</u>	<u>19.59%</u>	<u>73,033</u>	<u>1.22%</u>
Municipal Budget Totals-Revenue	10,275,462	33.28%	60,852	0.60%
Nonbudget Revenue	413,350	1.34%	(899)	-0.22%
Other Credits to Income	613,734	1.99%	215,051	53.94%
Taxes Allocated to Schools, County and Open Space Trust	<u>19,573,448</u>	<u>63.39%</u>	<u>301,897</u>	<u>1.57%</u>
Total	<u>\$30,875,994</u>	<u>100.00%</u>	<u>\$ 576,901</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 increase in budgeted revenue is primarily attributable to an increase in the Borough's collection of taxes in 2013. The increase in the other credits to income is the result of the Borough's conservative budgeting and expenditure policies and the unexpended balance of the operating budgets 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 was essentially the same as 2012.

The following schedule presents a summary of current fund and utility operating funds expenditures for the fiscal year ended December 31, 2013 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 2012</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,342,010	8.00%	\$ (13,910)	-0.59%
Public Safety	2,010,962	6.87%	(47,008)	-2.28%
Streets and Roads	858,383	2.93%	58,488	7.31%
Health and Welfare	99,457	0.34%	1,072	1.09%
Recreation and Education	110,287	0.38%	(19,998)	-15.35%
Deferred Charges and Statutory Expenditures	731,966	2.50%	39,661	5.73%
Utility Operating	1,244,180	4.25%	(40,608)	-3.16%
Capital	208,000	0.71%		0.00%
Debt Service:				
Principal	883,038	3.01%	25,001	2.91%
Interest	240,827	0.82%	(19,114)	-7.35%
Reserve for Uncollected Taxes	709,685	2.42%	13,915	2.00%
Municipal Budget Totals-Expenditures	9,438,795	32.22%	(2,501)	-0.03%
County Taxes	3,420,007	11.68%	45,330	1.34%
Local and Regional School Taxes	16,043,847	54.77%	256,567	1.63%
Municipal Open Space Taxes	109,594	0.37%		0.00%
Other Expenditures	279,218	0.95%	239,165	597.12%
Total	<u>\$29,291,461</u>	<u>100.00%</u>	<u>\$ 538,561</u>	1.87%

The primary reason for the increase in expenditures was the increase in school and county taxes along with the provisions for trust and capital reserves.

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,

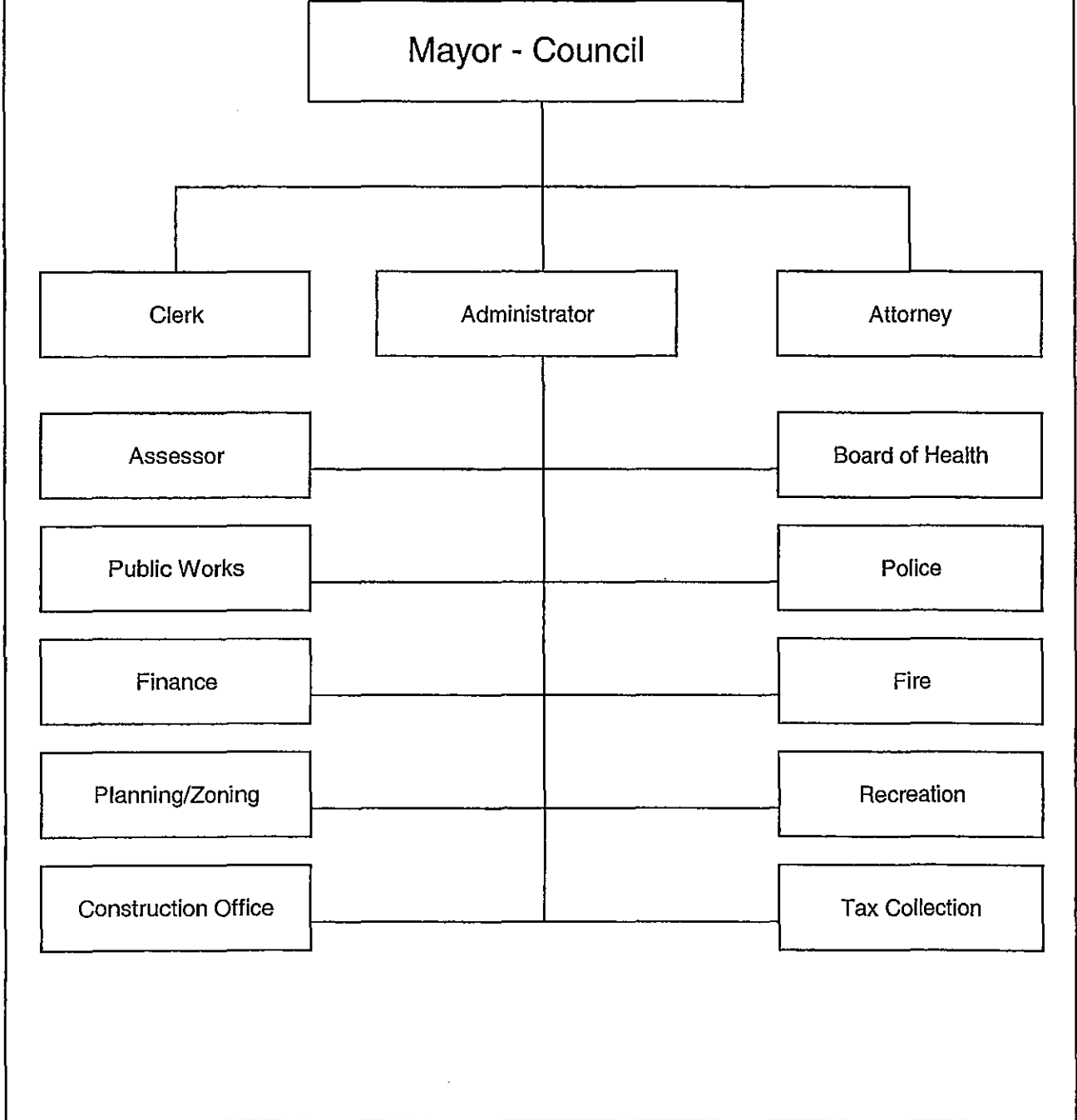
Ellen Sandman

Ellen Sandman
Borough Administrator

Susan Giordano

Susan Giordano
Chief Financial Officer

BOROUGH OF MENDHAM
ORGANIZATIONAL CHART



BOROUGH OF MENDHAM
ROSTER OF OFFICIALSElected Officials

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

Appointed Officials

Administrator/Purchasing Agent/Deputy Clerk	Ellen Sandman
Clerk/Deputy Treasurer 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 ended December 31, 2013 and the related notes to the financial statements, as listed in the 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 practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed or permitted by 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 audits 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 practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund and account group of the Borough as of December 31, 2013, 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 practices prescribed or permitted 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, 2013 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Mendham at December 31, 2013, 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 accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, 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 combining and individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 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 financial statements.

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

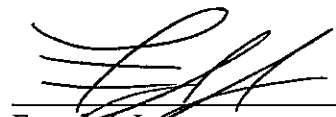
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014 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 19, 2014


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-REGULATORY BASIS
DECEMBER 31, 2013
(With Comparative Totals for 2012)

ASSETS AND OTHER DEBITS:						Account Group	Totals	
	Current	General Capital	Trust	Utility Funds		General Fixed Assets (Unaudited)	(Memorandum Only)	
				Operating	Capital		2013	2012
Assets:								
Cash and Cash Equivalents	\$ 4,811,725	\$ 1,235,653	\$ 1,506,119	\$ 1,124,819	\$ 1,131,725		\$ 9,810,041	\$ 9,571,883
Receivables and Other Assets:								
Property Taxes Receivable	176,378						176,378	135,128
Consumer Accounts Receivable				133,070			133,070	141,454
Federal and State Receivables	16,623						16,623	110,632
Interfund Receivables		199,846	79,372	145			279,363	57,630
Other Receivables	9,214						9,214	79,738
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	5,016,840	1,435,499	1,585,491	1,258,034	1,131,725	8,095,999	18,523,588	18,195,364
Other Debits:								
Deferred Charges:								
Emergency Authorizations	13,500						13,500	27,000
Deferred Charges to Future Taxation		5,222,326					5,222,326	5,661,637
Fixed Capital					14,825,635		14,825,635	14,720,635
Total Other Debits	13,500	5,222,326			14,825,635		20,061,461	20,409,272
Total Assets and Other Debits	\$ 5,030,340	\$ 6,657,825	\$ 1,585,491	\$ 1,258,034	\$ 15,957,360	\$ 8,095,999	\$ 38,585,049	\$ 38,604,636
LIABILITIES, RESERVES AND FUND BALANCE:								
Appropriation Reserves	\$ 678,164			\$ 336,044			\$ 1,014,208	\$ 981,611
Improvement Authorizations		\$ 1,207,131			\$ 743,561		1,950,692	3,150,471
Payroll Deductions And Withholdings			\$ 60,175				60,175	33,095
Accounts Payable - Vendors	139,223			27,297			166,520	166,519
Interfund Payables	279,218						279,363	57,630
Reserves for Amortization					11,392,135		11,392,135	10,847,385
Various Liabilities and Reserves	1,440,591	561,569	1,525,316	42,076	213,417	\$ 8,095,999	11,878,968	11,835,917
Serial Bonds, Bond Anticipation Notes and Loans Payable		4,877,451			3,433,500		8,310,951	8,002,576
Reserve for Receivables and Other Assets	188,492			133,070			321,562	301,795
Fund Balance	2,304,652	11,674		719,547	174,602		3,210,475	3,227,638
Total Liabilities, Reserves and Fund Balances	\$ 5,030,340	\$ 6,657,825	\$ 1,585,491	\$ 1,258,034	\$ 15,957,360	\$ 8,095,999	\$ 38,585,049	\$ 38,604,636

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

BOROUGH OF MENDHAM
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CURRENT AND UTILITY OPERATING FUNDS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Current Fund			Utility Operating Funds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 1,206,487	\$ 1,206,487		\$ 415,709	\$ 415,709	
Sewer Rents				1,481,035	1,591,825	\$ 110,790
Miscellaneous Revenue	791,926	852,044	\$ 60,118	18,000	26,312	8,312
Receipts from Delinquent Taxes	100,000	134,803	34,803			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	5,525,802	6,048,282	522,480			
Municipal Budget Totals - Revenue	7,624,215	8,241,616	617,401	1,914,744	2,033,846	119,102
Non-budget Revenues		413,350	413,350			
Other Credits to Income		382,664	382,664		231,070	231,070
Taxes Allocated to Schools, County and Open Space	19,573,448	19,573,448				
TOTAL REVENUES	27,197,663	28,611,078	1,413,415	1,914,744	2,264,916	350,172
EXPENDITURES:						
Current:						
General Government	2,442,010	2,342,010	100,000			
Public Safety	2,010,962	2,010,962				
Streets and Roads	858,383	858,383				
Health and Welfare	99,457	99,457				
Recreation and Education	110,287	110,287				
Deferred Charges and Statutory Expenditures	679,397	679,397		52,569	52,569	
Utility Operating				1,244,180	1,244,180	
Capital	133,000	133,000		75,000	75,000	
Debt Service:						
Principal	443,287	443,287		439,751	439,751	
Interest	137,747	137,737	10	103,244	103,090	154
Reserve for Uncollected Taxes	709,685	709,685				
Municipal Budget Totals - Expenditures	7,624,215	7,524,205	100,010	1,914,744	1,914,590	154
County Taxes	3,420,007	3,420,007				
Local and Regional School Taxes	16,043,847	16,043,847				
Municipal Open Space Taxes	109,594	109,594				
Other Expenditures		279,218	(279,218)			
TOTAL EXPENDITURES	\$ 27,197,663	27,376,871	(179,208)	\$ 1,914,744	1,914,590	154
Excess/(Deficit) of Revenues over Expenditures		1,234,207	\$ 1,234,207		350,326	\$ 350,326
Fund Balances January 1, 2013		2,276,932			784,930	
Less: Utilized as Anticipated Revenue		1,206,487			415,709	
Fund Balances December 31, 2013		\$ 2,304,652			\$ 719,547	

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 and a resulting financial benefit or burden relationship, 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 practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Mendham accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds which are not accounted for in another fund.

Trust Funds - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

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, 2013
(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 more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey. Federal and state grants are generally recognized on the cash basis except for certain assistance which is not realized until anticipated in the Borough's budget. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

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

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, 2013
(Continued)

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

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

E. Other significant accounting policies include:

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

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

Investments – Investments, if any, are stated at cost 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 Sewer Utility Capital Fund at cost.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
 (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, 2013
(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 in addition

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, 2013
(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, 2013, 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>Total</u>
Current	\$ 230	\$ 4,619,968	\$ 191,527	\$4,811,725
General Capital		978,627	257,026	1,235,653
Trust and Agency		1,019,423	486,696	1,506,119
Utility Operating	100	909,004	215,715	1,124,819
Utility Capital		943,177	188,548	1,131,725
	<u>\$ 330</u>	<u>\$ 8,470,199</u>	<u>\$ 1,339,512</u>	<u>\$9,810,041</u>

The carrying amount of the Borough's cash and cash equivalents at year end was \$9,810,041 and the bank balance was \$10,369,623.46. 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, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		\$ 279,218
General Capital Fund	\$ 199,846	
Other Trust Funds	79,372	
Sewer Utility Operating Fund	145	
Sewer Utility Capital Fund		145
	<u>\$ 279,363</u>	<u>\$ 279,363</u>

The primary interfund activity for 2013 was an increase the Reserve in the Other Trust Fund for Snow Removal due from the Current Fund, and also to increase the Reserve for Improvements in the General Capital Fund of \$199,846.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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,		
	2013	2012	2011
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 4,877,451	\$ 4,129,326	\$ 4,553,197
Sewer Utility:			
Bonds, Loans and Notes	3,433,500	3,873,250	4,303,000
Total Issued	<u>8,310,951</u>	<u>8,002,576</u>	<u>8,856,197</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	344,875	1,532,311	127,641
Sewer Utility:			
Bonds and Notes			
Total authorized but not Issued	<u>344,875</u>	<u>1,532,311</u>	<u>127,641</u>
Less:			
Reserve to Pay Debt Service	<u>57,981</u>	<u>72,981</u>	<u>132,981</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 8,597,845</u>	<u>\$ 9,461,906</u>	<u>\$ 8,850,857</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 Revised Annual Debt Statement and indicates a statutory net debt of .38%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 10,212,014	\$ 10,212,014	
Sewer Utility Debt	3,433,500	3,433,500	
General Debt	5,222,326	57,981	\$ 5,164,345
	<u>\$ 18,867,840</u>	<u>\$ 13,703,495</u>	<u>\$ 5,164,345</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

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

Net Debt \$5,164,345 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,362,067,723.33 = .38%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 47,672,370
Net Debt	5,164,345
Remaining Borrowing Power	<u>\$ 42,508,025</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	\$ 2,033,846
Deductions:	
Operating, Maintenance and Debt Service Costs	1,839,590
Excess in Revenue	<u>\$ 194,256</u>

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

Green Acres Loan Payable

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

Schedule of Changes in Debt Issued

	Balance 12/31/2012	Additions	Retirements	Balance 12/31/2013
General Capital Fund:				
Serial Bonds	\$ 3,352,000		\$ 310,000	\$ 3,042,000
Bond Anticipation Notes	572,956	\$ 1,187,436	107,022	1,653,370
Green Acres Loan	204,370		22,289	182,081
Sewer Utility Capital Fund:				
Serial Bonds	2,335,000		215,000	2,120,000
Bond Anticipation Notes	1,538,250		224,750	1,313,500
Total	<u>\$ 8,002,576</u>	<u>\$ 1,187,436</u>	<u>\$ 879,061</u>	<u>\$ 8,310,951</u>

Schedule of General Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/21/2006	7/11/2014	1.25%	\$ 115,745
Acquisition of Land	7/18/2008	7/11/2014	1.25%	302,189
Paving Various Roads	7/16/2009	7/11/2014	1.25%	48,000
Various Improvements	7/11/2013	7/11/2014	1.25%	1,187,436
				<u>\$ 1,653,370</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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, 2013</u>
	<u>Original Note</u>	<u>Maturity</u>		
Sanitary Sewer System	7/18/2008	7/11/2014	1.25%	\$ 145,000
Sanitary Sewer System	7/16/2009	7/11/2014	1.25%	1,168,500
				<u>\$ 1,313,500</u>

General Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Maturities at December 31, 2013</u>			<u>Interest Rate</u>	<u>Balance</u>		
		<u>Date of Maturity</u>	<u>Amount</u>	<u>Amount</u>		<u>Dec. 31, 2012</u>	<u>Matured</u>	<u>Dec. 31, 2013</u>
General Bonds of 2006	8/15/06	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%			
						<u>\$ 3,352,000</u>	<u>\$ 310,000</u>	<u>\$ 3,042,000</u>

Sewer Utility Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Maturities at December 31, 2013</u>			<u>Interest Rate</u>	<u>Balance</u>		
		<u>Date of Maturity</u>	<u>Amount</u>	<u>Amount</u>		<u>Dec. 31, 2012</u>	<u>Matured</u>	<u>Dec. 31, 2013</u>
Sewer Bonds of 2006	8/15/06	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>\$ 2,335,000</u>	<u>\$ 215,000</u>	<u>\$ 2,120,000</u>

	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
	Green Acres Loan	2/18/2021	2.00%

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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>
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	385,000	66,080	451,080
2019-2021	1,267,000	102,840	1,369,840
	<u>\$ 3,042,000</u>	<u>\$ 575,240</u>	<u>\$ 3,617,240</u>

Sewer Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	270,000	46,000	316,000
2019-2021	880,000	71,400	951,400
	<u>\$ 2,120,000</u>	<u>\$ 400,800</u>	<u>\$ 2,520,800</u>

Note 5: Pension Plans

Borough employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey; 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, 2013
(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 6.64% of base salary effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st 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 \$299,572, \$268,853 and \$336,035 for 2013, 2012, and 2011, respectively.

Borough contributions to PERS amounted to \$151,325, \$149,467, and \$138,143 for 2013, 2012, and 2011, 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, 2013
(Continued)

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

Municipal and Police Employees:

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

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 2013 the Borough had eight retirees who met the eligibility requirements and recognized expenditures in the amount of \$50,704.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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 60 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>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	\$ 1.957	\$ 1.919	\$ 1.909
<u>Apportionment of Tax Rate</u>			
Municipal	.430	.422	.423
County	.267	.263	.259
Local School	.767	.758	.746
Regional High School	.485	.467	.472
Municipal Open Space	.008	.009	.009
<u>Assessed Valuations</u>			
2013	<u>\$1,282,175,833</u>		
2012		<u>\$1,289,110,375</u>	
2011			<u>\$1,291,640,675</u>

The Borough reassessed its property values effective during 2010.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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>
2013	\$ 25,151,774	\$ 24,912,045	99.04%
2012	24,742,237	24,551,030	99.22%
2011	24,658,051	24,477,617	99.26%

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, 2013
(Continued)

Note 9: Risk Management (Cont'd)

Financial statements for the year ended December 31, 2013 are not available as of the date of this report. Selected, summarized financial information for the Fund at December 31, 2012 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ 23,194,903
Net Position	\$ 9,573,823
Total Revenue	\$ 14,823,626
Total Expenses	\$ 17,170,545
Change in Net Position	\$ (2,346,919)
Member Dividends	\$ -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>
2013	\$ 4,000	\$ 4,040	\$ 39	\$ 9,901	\$ 24,547
2012	3,500	3,945	67	21,688	26,369
2011	3,000	3,892	186	701	40,545

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

Note 10: Fund Balances Appropriated

Fund balances at December 31, 2013, which were appropriated and included as anticipated revenue for the year ending December 31, 2014 are not known as of the date of this report.

Note 11: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the year ended December 31, 2013:

	Balance Dec. 31, 2012	Additions	Balance Dec. 31, 2013
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
	\$ 8,095,999	\$ -0-	\$ 8,095,999

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, 2013 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, 2013.

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

The Borough has received approval by the New Jersey Department of Environmental Protection for the closure of the Borough's sanitary landfill. The landfill has not received municipal waste for several years. The Borough has set aside \$1,177 in the Other Trust Funds. Ultimate costs of the closure of the landfill will likely exceed the funds held; however no estimate can be made at this time, it is expected that this project will be funded by a capital ordinance when the Borough proceeds with the project.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
 (Continued)

Note 13: Sale of Water Utility Assets

During 1993, the Borough sold the fixed assets of the Water Utility to New Jersey American Water Company, Inc. (the "Company"). The Company operates the water system as a private water company. The Borough liquidated the assets of the Water Utility and dissolved the Fund in 1998. The assets of the water utility were divided between the current fund and the sewer utility operating fund. The Current Fund has a reserve for escrow deposits-sale of water utility assets of \$176,421 on its balance sheet at December 31, 2013.

Note 14: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2013, consisted of the following:

Litigation	\$ 380,000
Unappropriated Reserves	68,773
Master Plan	24,706
Sale of Municipal Assets	382,757
Revaluation	11,319
Pending Tax Appeals	256,979
Escrow Deposits - Sale of Water Utility Assets	<u>176,421</u>
	<u>\$ 1,300,955</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, 2013 was \$616,477.

**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
2013
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,	
	2013	2012
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,811,495	\$ 4,658,295
Change Fund	230	230
	<u>4,811,725</u>	<u>4,658,525</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	16,623	13,873
	<u>4,828,348</u>	<u>4,672,398</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	176,378	135,128
Tax Title Liens Receivable	6,809	2,333
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	2,048	2,405
Interfunds Receivable		17,575
	<u>188,135</u>	<u>160,341</u>
Deferred Charges:		
Special Emergency Authorization	13,500	27,000
TOTAL ASSETS	<u><u>\$ 5,029,983</u></u>	<u><u>\$ 4,859,739</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 73,533	\$ 107,577
Unencumbered	604,631	568,208
Total Appropriation Reserves	<u>678,164</u>	<u>675,785</u>
Prepaid Taxes	131,280	215,888
Accounts Payable - Vendors	139,223	139,223
Other Liabilities	8,354	16,974
Interfund Payable	279,218	39,000
Other Reserves	1,300,956	1,335,595
	<u>2,537,196</u>	<u>2,422,465</u>
Reserve for Receivables and Other Assets	188,135	160,341
Fund Balance	<u>2,304,652</u>	<u>2,276,933</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u><u>\$ 5,029,983</u></u>	<u><u>\$ 4,859,739</u></u>

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

<u>Revenue and Other Income Realized</u>	Year Ended December 31,	
	2013	2012
Fund Balance Utilized	\$ 1,206,487	\$ 1,206,487
Miscellaneous Revenue Anticipated	852,044	860,841
Receipts from:		
Delinquent Taxes	134,803	132,788
Current Taxes	24,912,045	24,551,030
Nonbudget Revenue	413,350	414,249
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	353,246	201,610
Other Credits	29,418	708
Total Income	<u>27,901,393</u>	<u>27,367,713</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	6,814,520	6,810,537
County Taxes	3,420,007	3,374,677
Local School District Taxes	9,821,492	9,771,098
Regional School Taxes	6,222,355	6,016,182
Municipal Open Space Tax	109,594	109,594
Other Debits	279,218	40,053
Total Expenditures	<u>26,667,187</u>	<u>26,122,141</u>
 Excess in Revenue	1,234,206	1,245,572
 <u>Fund Balance</u>		
Balance January 1	<u>2,276,933</u>	<u>2,237,848</u>
	3,511,139	3,483,420
Decreased by:		
Utilized as Anticipated Revenue	<u>1,206,487</u>	<u>1,206,487</u>
 Balance December 31	<u>\$ 2,304,652</u>	<u>\$ 2,276,933</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2013

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</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		41,872	\$ 3,128 *
Interest on Investments and Deposits	15,000		10,970	4,030 *
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	94,498		162,571	68,073
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program	8,458	\$ 1,473	9,931	
Body Armor Fund	1,463		1,756	293
Drunk Driving Enforcement Fund	2,322		1,233	1,089 *
Reserve for Sale of Municipal Assets	37,500		37,500	
Fletcher Trust Fund	37,500		37,500	
Reserve to Pay Debt Service	15,000		15,000	
Other Trust Fund - Open Space Trust	26,265		26,265	
Total Miscellaneous Revenue	790,453	1,473	852,044	60,118
Receipts from Delinquent Taxes	100,000		134,803	34,803
Amount to be Raised by Taxes for Support of Municipal Budget	<u>5,525,802</u>		<u>6,048,282</u>	<u>522,480</u>
Budget Totals	7,622,742	1,473	8,241,616	<u>\$ 617,401</u>
Nonbudget Revenue			<u>413,350</u>	
	<u>\$ 7,622,742</u>	<u>\$ 1,473</u>	<u>\$ 8,654,965</u>	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2013
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Collection of Current Taxes	\$	24,912,045
Allocated to:		
School, County, and Open Space Taxes		19,573,448
		<u>5,338,597</u>
Add: Appropriation "Reserve for Uncollected Taxes"		709,685
		<u>709,685</u>
Realized for Support of Municipal Budget	\$	<u>6,048,282</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$	134,803
		<u>134,803</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:		
Fees and Permits	\$	97,560
Municipal Court Fines and Costs		31,176
Rents on Borough-Owned Properties		17,640
Cable Television Franchise Fees		43,838
High School Resource Officer reimbursement		38,985
FEMA Reimbursement		158,381
State of New Jersey-Vet and Senior Citizen 2% Admin Fee		838
Other Miscellaneous Income		23,800
Tax Collector Miscellaneous		1,131
		<u>413,350</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013

	<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	\$ 242,500	\$ 242,500	\$ 237,958	\$ 4,542	
Other Expenses	48,025	48,025	38,753	9,272	
Mayor and Council:					
Salaries and Wages	22,593	22,593	21,500	1,093	
Other Expenses	29,500	29,500	24,869	4,631	
Municipal Clerk:					
Salaries and Wages	70,276	70,276	69,770	506	
Financial Administration:					
Salaries and Wages	79,442	79,442	78,865	577	
Other Expenses	21,515	21,515	7,338	14,177	
Annual Audit	37,000	37,000	10,000	27,000	
Computerized Data Processing	17,000	17,000	15,553	1,447	
Tax Assessment Administration:					
Salaries and Wages	50,534	50,534	50,100	434	
Other Expenses	11,350	11,350	10,472	878	
Revenue Administration (Tax Collection):					
Salaries and Wages	31,519	31,519	31,465	54	
Other Expenses	6,040	6,040	5,266	774	
Legal Services and Costs:					
Other Expenses	73,000	73,000	67,939	5,061	
Engineering Services and Costs:					
Salaries and Wages	17,417	17,417	17,109	308	
Other Expenses	76,400	76,400	44,684	31,716	
Historic Preservation:					
Other Expenses	8,200	5,200	730	4,470	
Public Buildings and Grounds:					
Salaries and Wages	114,431	114,431	108,349	6,082	
Other Expenses	52,700	52,700	52,010	690	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(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	\$ 35,990	\$ 35,990	\$ 10,077	\$ 25,913	
Board of Adjustment:					
Other Expenses	11,285	11,285	1,968	9,317	
Insurance:					
Employee Group Health	619,000	619,000	601,254	17,746	
Unemployment Compensation Insurance	3,000	3,000	3,000		
General Liability Insurance	41,960	41,960	41,722	238	
Workmen's Compensation Insurance	73,989	73,989	73,989		
Public Safety:					
Police:					
Salaries and Wages	1,348,155	1,335,155	1,298,644	36,511	
Other Expenses	99,000	111,000	109,327	1,673	
Contractual Radio Dispatch	112,916	112,916	112,916		
Emergency Management Services	10,500	10,500	10,078	422	
Aid to Volunteer Fire Company	94,500	94,500	87,693	6,807	
Aid to Volunteer Ambulance Company	40,000	40,000	29,912	10,088	
Fire:					
Salaries and Wages	20,232	20,232	16,849	3,383	
Other Expenses	109,800	109,800	98,696	11,104	
Municipal Prosecutor:					
Other Expenses - Fees	14,000	14,000	14,000		
Municipal Court:					
Salaries and Wages	92,143	92,143	63,900	28,243	
Other Expenses	55,000	55,000	40,492	14,508	
Public Defender - Other Expenses	2,000	2,000	2,000		
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries and Wages	427,785	423,785	334,994	88,791	
Other Expenses	156,265	156,265	121,432	34,833	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(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	\$ 12,600	\$ 11,951	\$ 649	
Kelley Act - Mendham Commons	7,000	7,000	2,223	4,777	
Landfill/Solid Waste Disposal Costs:					
Salaries and Wages	10,439	10,439	9,734	705	
Other Expenses	244,994	244,994	199,192	45,802	
Other Expenses - Monitor Well Testing	3,300	3,300	2,952	348	
Health and Welfare:					
Board of Health:					
Salaries and Wages	3,814	3,814	3,800	14	
Other Expenses - Miscellaneous	48,685	48,685	48,244	441	
Visiting Nurse	5,525	5,525	5,525		
Environmental Commission:					
Other Expenses	2,280	2,280		2,280	
Animal Control:					
Other Expenses	16,000	16,000	8,540	7,460	
Contributions to Social Service Agency:					
MASH Van	23,153	23,153	20,538	2,615	
Recreation and Education:					
Recreation:					
Salaries and Wages	18,400	18,400	17,500	900	
Other Expenses	33,950	33,350	31,769	1,581	
Parks and Playgrounds:					
Salaries and Wages	30,537	30,537	27,055	3,482	
Other Expenses	23,000	28,000	26,961	1,039	
Construction Code Official:					
Salaries and Wages	97,269	97,269	92,162	5,107	
Other Expenses	7,175	7,175	4,228	2,947	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(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):					
Unclassified:					
Salary Adjustment Account	\$ 100,000	\$ 100,000			\$ 100,000
Utilities	191,000	193,000	\$ 161,135	\$ 31,865	
Total Operations Within "CAPS"	5,254,483	5,254,483	4,639,182	515,301	100,000
Contingency	2,000	2,000	466	1,534	
Total Operations Including Contingent Within "CAPS"	5,256,483	5,256,483	4,639,648	516,835	100,000
Detail:					
Salaries and Wages	2,777,486	2,760,486	2,479,754	180,732	100,000
Other Expenses	2,478,997	2,495,997	2,159,894	336,103	
Deferred Charges and Statutory Expenditures-					
Municipal Within "CAPS":					
Contributions to PERS	151,325	151,325	151,325		
Contributions to Social Security System (O.A.S.I.)	215,000	215,000	190,169	24,831	
Contributions to PFRS	299,572	299,572	299,572		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	665,897	665,897	641,066	24,831	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,922,380	5,922,380	5,280,714	541,666	100,000

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS"					
Aid to Library	\$ 200,900	\$ 200,900	\$ 200,900		
Length of Service Award Program	50,000	50,000		\$ 50,000	
Public and Private Programs Offset by Revenue:					
Clean Communities (N.J.S.A. 40A:4-87 +\$1,473)	8,458	9,931	170	9,761	
Body Armor Fund	1,463	1,463		1,463	
Drunk Driving Enforcement Fund	2,322	2,322	581	1,741	
Total Operations Excluded from "CAPS"	263,143	264,616	201,651	62,965	
Detail:					
Other Expenses	263,143	264,616	201,651	62,965	
Capital Improvements-Excluded from "CAPS" :					
Reserve for Improvements	133,000	133,000	133,000		
Total Capital Improvements Excluded from "CAPS"	133,000	133,000	133,000		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	310,000	310,000	310,000		
Payment of Bond Anticipation Notes	107,022	107,022	107,022		
Interest on Bonds	134,080	134,080	134,080		
Interest on Notes	3,667	3,667	3,657		\$ 10
Green Trust Loan Program - Principal and Interest	26,265	26,265	26,265		
Total Municipal Debt Service Excluded from "CAPS"	581,034	581,034	581,024		10

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges - Municipal - Special Emergency Authorization	\$ 13,500	\$ 13,500	\$ 13,500		
Total Deferred Charges-Municipal- Excluded from "CAPS"	13,500	13,500	13,500		
Total General Appropriations Excluded from "CAPS"	990,677	992,150	929,175	\$ 62,965	\$ 10
Subtotal General Appropriations	6,913,057	6,914,530	6,209,889	604,631	100,010
Reserve for Uncollected Taxes	709,685	709,685	709,685		
Total General Appropriations	<u>\$ 7,622,742</u>	<u>\$ 7,624,215</u>	<u>\$ 6,919,574</u>	<u>\$ 604,631</u>	<u>\$ 100,010</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Analysis of Budget After Modification</u>	<u>Analysis of Paid or Charged</u>
Cash Disbursed		\$ 6,362,478
Reserve for Uncollected Taxes		709,685
Deferred Charges		13,500
Outstanding Encumbrances		73,533
Adopted Budget	\$ 7,622,742	
Adopted by NJSA 40A:4-87	1,473	
	<u>7,624,215</u>	<u>7,159,196</u>
Less: Appropriation Refunds		239,622
	<u>\$ 7,624,215</u>	<u>\$ 6,919,574</u>

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

Year	Balance	2013 Levy	Added Taxes	Collections		Over-payments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2012			2012	2013					Dec. 31, 2013
2012	\$ 135,128		\$ 2,702	\$ 134,794	\$ 9			\$ 3,027		
2013		\$ 25,151,774		\$ 215,888	24,651,493		\$ 44,664	\$ 60,693	\$ 2,658	\$ 176,378
	<u>\$ 135,128</u>	<u>\$ 25,151,774</u>	<u>\$ 2,702</u>	<u>\$ 215,888</u>	<u>\$ 24,786,287</u>	<u>\$ 9</u>	<u>\$ 44,664</u>	<u>\$ 60,693</u>	<u>\$ 5,685</u>	<u>\$ 176,378</u>

Analysis of 2013 Property Tax Levy

<u>Tax Yield:</u>	
General Purpose Tax	\$ 25,047,411
Business Personal Property Taxes	44,770
Added and Omitted Taxes	59,593
	<u>\$ 25,151,774</u>
<u>Tax Levy:</u>	
Regional High School Taxes	6,222,355
Local School District Taxes	9,821,492
	\$ 16,043,847
County Taxes	3,412,246
Due County for Added and Omitted Taxes	7,761
	3,420,007
Municipal Open Space Tax	109,594
	19,573,448
Local Tax for Municipal Purposes Levied	5,525,802
Add: Additional Tax Levied	52,524
	5,578,326
	<u>\$ 25,151,774</u>

MENDHAM BOROUGH
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
General Administration:				
Salaries and Wages	\$ 4,345	\$ 1,845	\$ 61	\$ 1,784
Other Expenses	5,722	8,222	7,797	425
Mayor and Council:				
Salaries and Wages	758	758		758
Other Expenses	10,990	10,990		10,990
Municipal Clerk:				
Other Expenses	497	497		497
Annual Audit	26,900	26,900	20,000	6,900
Computerized Data Processing	852	852	745	107
Financial Administration:				
Salaries and Wages	568	568		568
Other Expenses	17,457	17,457	6,270	11,187
Assessment of Taxes:				
Salaries and Wages	427	427		427
Other Expenses	2,881	2,881	319	2,562
Collection of Taxes:				
Salaries and Wages	53	53		53
Other Expenses	1,581	1,581	143	1,438
Legal Services and Costs	13,849	13,849	10,882	2,967
Engineering Services and Costs:				
Other Expenses	25,904	13,904	3,012	10,892
Historic Preservation:				
Other Expenses	6,967	6,967	1,343	5,624
Public Buildings and Grounds:				
Salaries and Wages	8,363	8,363		8,363
Other Expenses	12,429	12,429	1,841	10,588
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	22,600	11,600	1,466	10,134
Board of Adjustment:				
Other Expenses	14,618	14,618	413	14,205
Insurance:				
Group Insurance Plan for Employees	16,957	16,957		16,957
Aid to Volunteer Ambulance Company	11,717	11,717	11,631	86
Aid to Volunteer Fire Company	22,910	22,910	22,910	
Fire:				
Salaries and Wages	3,400	3,400	647	2,753
Other Expenses	15,169	15,169	11,308	3,861
Police:				
Salaries and Wages	65,118	45,118	1,143	43,975
Other Expenses	35,205	35,205	25,773	9,432
Municipal Court:				
Salaries and Wages	3,012	3,012		3,012
Other Expenses	3,266	3,266		3,266
Office of Emergency Management:				
Other Expenses	500	500		500
Municipal Prosecutor	3,500	3,500		3,500
Roads Repairs and Maintenance:				
Salaries and Wages	34,335	34,335	5,985	28,350
Other Expenses	56,699	56,699	34,286	22,413
Board of Health:				
Salaries and Wages	18	18		18
Other Expenses	345	345	15	330

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Balance Dec. 31, 2012	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Kelley Act - Mendham Commons	\$ 4,557	\$ 4,557	\$ 3,317	\$ 1,240
Animal Control:				
Other Expenses	1,980	1,980	350	1,630
Landfill/Solid Waste Disposal:				
Salaries and Wages	2,258	2,258	644	1,614
Other Expenses	37,050	90,050	82,552	7,498
Other Expenses - Monitor Well Testing	694	694	600	94
Environmental Commission:				
Other Expenses	2,362	2,362	82	2,280
Services of Visiting Nurses - Contractual	159	159		159
Parks and Playgrounds:				
Salaries and Wages	18,495	18,495		18,495
Other Expenses	1,547	1,547	176	1,371
Contributions to Social Services Agency:				
MASH Van	5,624	5,624	3,089	2,535
Recreation:				
Salaries and Wages	1,128	1,128		1,128
Other Expenses	3,420	3,420	91	3,329
Shade Tree:				
Other Expenses	3,769	3,769	97	3,672
State Uniform Construction Code:				
Salaries and Wages	3,958	3,958	516	3,442
Other Expenses	5,204	5,204	325	4,879
Utilities	56,566	46,566	17,243	29,323
Contingent	578	578	86	492
Contribution to:				
Public Employees Retirement System	8	8	-3,742	3,750
Social Security System (O.A.S.I.)	16,213	16,213	222	15,991
Length of Service Award Program	49,450	49,450	43,400	6,050
Public and Private Programs Offset by Revenue:				
Drunk Driving Enforcement Fund	1,249	1,249	1,249	
Clean Communities Grant	8,082	8,082	2,730	5,352
Body Armor Fund	1,522	1,522	1,522	
	<u>\$ 675,785</u>	<u>\$ 675,785</u>	<u>\$ 322,539</u>	<u>\$ 353,246</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 568,208			
Encumbered	107,577			
Expenditures			\$ 329,560	
Refunds			-7,021	
	<u>\$ 675,785</u>		<u>\$ 322,539</u>	

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2013
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,	
	2013	2012
Cash and Cash Equivalents	\$ 1,235,653	\$ 1,075,830
State Grants Receivable		96,759
Due from Current Fund	199,846	
Other Receivables		75,000
Deferred Charges to Future Taxation:		
Funded	3,224,081	3,556,370
Unfunded	1,998,245	2,105,267
TOTAL ASSETS	\$ 6,657,825	\$ 6,909,226
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 3,042,000	\$ 3,352,000
Bond Anticipation Notes Payable	1,653,370	572,956
Green Acres Loan Payable	182,081	204,370
Improvement Authorizations:		
Funded	353,060	928,872
Unfunded	854,071	1,523,038
Due to Current Fund		172
Reserve For:		
Purchase of Fire Truck	70,000	
Payment of Debt Service	57,981	72,981
Improvements	379,077	200,077
Capital Improvement Fund	54,511	54,511
Fund Balance	11,674	249
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 6,657,825	\$ 6,909,226

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2012	Receipts			Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2013	
		Budget Appropriation	Bond Anticipation Notes	Miscel- laneous	Improvement Authori- zations	Miscel- laneous	From	To		
Fund Balance	\$ 249			\$ 11,425					\$ 11,674	
Capital Improvement Fund	54,511								54,511	
Due To/(From) Current Fund	172			1,907.79		\$ 1,925.85	\$ 200,000		(199,846)	
Due Other Trust Fund				20,000			20,000			
State Grant Receivable	(96,759)			96,759						
Other Receivables	(75,000)			75,000						
Reserve for Purchase of Fire Truck				70,000					70,000	
Reserve to Pay Debt Service	72,981					15,000			57,981	
Reserve for Improvements	200,077	\$ 133,000					154,000	\$ 200,000	379,077	
<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	52,767			\$ 52,386				381	
05-10	Various Improvements	851							851	
03-11	Various Improvements	48,008				19,226			28,782	
3-12	Various Improvements	141,822				17,418			124,404	
9-12	Various Facility Improvements	11,000				11,000				
10-12	Road Improvements	14,541				3,311		875	12,105	
11-12	Road Improvements	242,320		4,180	222,822		875		22,803	
13-12	Various Improvements	470,330	\$ 1,187,436		1,086,911				570,855	
08-13	Various Improvements				9,885			174,000	164,115	
		<u>\$ 1,075,830</u>	<u>\$ 133,000</u>	<u>\$ 1,187,436</u>	<u>\$ 279,272</u>	<u>\$ 1,422,959</u>	<u>\$ 16,926</u>	<u>\$ 374,875</u>	<u>\$ 374,875</u>	<u>\$ 1,235,653</u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2012	Notes Paid By Budget Appropriation	Balance Dec. 31, 2013	Analysis of Balance at December 31, 2013		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	154,330	\$ 38,585	115,745	\$ 115,745		
21-07	Acquisition of Land	362,626	60,437	302,189	302,189		
8-09	Paving Various Roads	56,000	8,000	48,000	48,000		
13-12	Various Improvements	1,404,670		1,404,670	1,187,436		217,234
		<u>\$ 2,105,267</u>	<u>\$ 107,022</u>	<u>\$ 1,998,245</u>	<u>\$ 1,653,370</u>	<u>\$ 62,040</u>	<u>\$ 282,835</u>
	Improvement Authorizations Unfunded						\$ 854,071
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:						
	Ord. No. 6-06				\$ 381		
	Ord. No. 13-12				570,855		
							<u>571,236</u>
							<u>\$ 282,835</u>

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2012		2013 Authorizations		Paid or Charged	Balance Dec. 31, 2013		
		Date	Amount	Funded	Unfunded	Other Financing Sources	Transfers		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		52,767			\$ 52,386		381	
07-06	Various Improvements	06/05/06	102,000								
09-08/	Various Improvements	06/02/08	240,000								
14-08	Improvements	06/02/08	240,000								
01-10	Paving Various Roads	02/01/10	14,651								
05-10	Various Improvements	05/17/10	527,500	\$ 851					\$ 851		
03-11	Various Improvements	06/06/11	277,325	48,008				19,226	28,782		
3-12	Various Improvements	05/21/12	180,000	141,822				17,418	124,404		
9-12	Various Facility Improvements	10/01/12	11,000	11,000				11,000			
10-12	Road Improvements	10/01/12	26,000	14,541			\$ 875	3,311	12,105		
11-12	Road Improvements	10/15/12	250,000	242,320			(875)	218,642	22,803		
13-12	Various Improvements	11/19/12	1,875,000	470,330	1,404,670			1,086,911		788,089	
08-13	Various Improvements	06/03/13	174,000			\$ 174,000		9,885	164,115		
				<u>\$ 928,872</u>	<u>\$ 1,523,038</u>	<u>\$ 174,000</u>	<u>\$</u>	<u>\$ 1,418,779</u>	<u>\$ 353,060</u>	<u>\$ 854,071</u>	
Reserve for Improvements						\$ 154,000					
Open Space Trust Fund						20,000					
						<u>\$ 174,000</u>					

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

Balance December 31, 2012	\$	204,370
Less: Principal matured		22,289
Balance December 31, 2013	\$	182,081

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

Due	Principal	Interest	Loan Balance
			\$ 182,081
2/18/2014	\$ 11,312	\$ 1,821	170,769
8/18/2014	11,425	1,708	159,345
2/18/2015	11,539	1,593	147,806
8/18/2015	11,654	1,478	136,151
2/18/2016	11,771	1,362	124,381
8/18/2016	11,889	1,244	112,492
2/18/2017	12,007	1,125	100,485
8/18/2017	12,128	1,005	88,357
2/18/2018	12,249	884	76,108
8/18/2018	12,371	761	63,737
2/18/2019	12,495	637	51,242
8/18/2019	12,620	512	38,622
2/18/2020	12,746	386	25,876
8/18/2020	12,874	259	13,002
2/18/2021	13,002	130	
	\$ 182,081	\$ 41,169	

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, 2012	Issued	Matured	Balance Dec. 31, 2013
				Issue	Maturity					
6-06	Various Improvements	\$ 295,000	07/21/06	07/13/12	07/12/13	0.64%	\$ 154,330	\$ 154,330		
				07/12/13	07/11/14	1.25%				
21-07	Acquisition of Land	497,000	07/18/08	07/13/12	07/12/13	0.64%	362,626	362,626		
				07/12/13	07/11/14	1.25%				
8-09	Paving Various Roads	76,000	07/16/09	07/13/12	07/12/13	0.64%	56,000	56,000		
				07/12/13	07/11/14	1.25%				
13-12	Various Improvements	1,187,436	07/11/13	07/11/13	07/11/14	1.25%				
							<u>\$ 572,956</u>	<u>\$ 1,653,370</u>	<u>\$ 572,956</u>	<u>\$ 1,653,370</u>
Renewals								\$ 465,934	\$ 465,934	
New Issues								1,187,436		
Funded by Budget Appropriation									107,022	
							<u>\$ 1,653,370</u>	<u>\$ 572,956</u>		

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Matured	Balance Dec. 31, 2013
		Date of Maturity	Amount				
General Bonds of 2006	8/15/2006	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%			
					\$ 3,352,000	\$ 310,000	\$ 3,042,000
					<u>\$ 3,352,000</u>	<u>\$ 310,000</u>	<u>\$ 3,042,000</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, 2012</u>	<u>Bond Antici- pation Notes Issued</u>	<u>Balance Dec. 31, 2013</u>
4-02/ 9-02	Various Improvements	\$ 57,641		\$ 57,641
17-04	Various Improvements	70,000		70,000
13-12	Various Improvements	<u>1,404,670</u>	<u>\$ 1,187,436</u>	<u>217,234</u>
		<u>\$ 1,532,311</u>	<u>\$ 1,187,436</u>	<u>\$ 344,875</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2013
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, 2013
(With Comparative Totals for 2012)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2013	2012
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 5,662	\$ 1,429,346	\$ 10,936	\$ 60,175	\$ 1,506,119	\$ 1,569,815
Interfunds Receivable		79,372			79,372	39,000
TOTAL ASSETS	\$ 5,662	\$ 1,508,718	\$ 10,936	\$ 60,175	\$ 1,585,491	\$ 1,608,815
<u>LIABILITIES AND RESERVES</u>						
Due to State of New Jersey Board of Health						\$ 12
Interfunds Payable						17,403
Payroll Deductions and Withholdings				\$ 60,175	\$ 60,175	33,095
Reserve for Animal Control Fund Expenditures	\$ 5,662				5,662	7,672
Reserve for Other Trust Funds		\$ 1,508,718			1,508,718	1,539,701
Reserve for Public Assistance			\$ 10,936		10,936	10,933
TOTAL LIABILITIES AND RESERVES	\$ 5,662	\$ 1,508,718	\$ 10,936	\$ 60,175	\$ 1,585,491	\$ 1,608,815

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

Balance December 31, 2012	\$	7,672
Increased by:		
License Fees Collected		6,294
		13,966
Decreased by:		
Expenditures Under R.S.4:19-15.11		8,304
		8,304
Balance December 31, 2013	\$	5,662

License Fees Collected

<u>Year</u>	<u>Amount</u>
2011	\$ 3,890
2012	6,169
	10,059
Maximum Allowable Reserve	\$ 10,059

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF OTHER TRUST RESERVES

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Reserve for:				
Special Deposits	\$ 41,526	\$ 9,327	\$ 3,501	\$ 47,352
Special Engineering Deposits	31,879	6,243	19,548	18,574
Andrew Fletcher Trust Fund	249,743		37,500	212,243
State Unemployment Trust Fund	26,369	8,079	9,901	24,547
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,345	232		2,577
Police Assets Forfeiture	1,521	2	2	1,521
Police Special Duty	48,478	102,058	99,028	51,508
Recreation Fund	96,310	72,139	72,717	95,732
Recycling Tonnage Fund	137,810	6,787		144,597
Landfill Closure Escrow	1,177			1,177
Open Space	666,867	966	51,356	616,477
Housing Trust	124,318	11,213	35,666	99,865
Other Trust Funds	69,070	70,889	69,699	70,260
Snow Removal	39,000	80,000		119,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,539,701</u>	<u>\$ 367,936</u>	<u>\$ 398,918</u>	<u>\$ 1,508,718</u>

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BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2012	\$ 10,936
Increased by Receipts:	
Interest	16
	<hr/> 10,952
Decreased by Disbursements:	
Due to Current Fund	16
	<hr/> 16
Balance December 31, 2013	<u>\$ 10,936</u>

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

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 33,045	\$ 4,824,717	\$ 4,797,587	\$ 60,175
TOTAL ASSETS	<u>\$ 33,045</u>	<u>\$ 4,824,717</u>	<u>\$ 4,797,587</u>	<u>\$ 60,175</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 33,045	\$ 4,824,717	\$ 4,797,587	\$ 60,175
TOTAL LIABILITIES	<u>\$ 33,045</u>	<u>\$ 4,824,717</u>	<u>\$ 4,797,587</u>	<u>\$ 60,175</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2013
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
COMPARATIVE BALANCE SHEET

	Sewer Utility Operating Fund December 31,	
	2013	2012
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,124,719	\$ 1,159,054
Change Fund	100	100
	1,124,819	1,159,154
Due from Sewer Utility Capital Fund	145	1,055
Receivables with Full Reserves:		
Consumer Accounts Receivable	133,070	141,454
	\$ 1,258,034	\$ 1,301,663
TOTAL ASSETS		
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves:		
Unencumbered	\$ 321,944	\$ 279,328
Encumbered	14,100	26,498
Total Appropriation Reserves	336,044	305,826
Accounts Payable - Vendors	27,297	27,296
Accrued Interest on Bonds and Notes	39,798	39,925
Sewer Rent Overpayments	2,278	2,232
	405,417	375,279
Reserve for Receivables	133,070	141,454
Fund Balance	719,547	784,930
	\$ 1,258,034	\$ 1,301,663
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		

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

	Sewer Utility Operating Fund Year Ended December 31,	
	2013	2012
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 415,709	\$ 440,092
Sewer Fees and Charges	1,591,825	1,578,650
Miscellaneous Revenue	26,312	20,503
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	231,070	196,365
Total Income	2,264,916	2,235,610
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,244,180	1,284,788
Capital Improvements	75,000	75,000
Debt Service	542,841	539,201
Statutory Expenditures	52,569	36,000
Total Expenditures	1,914,590	1,934,989
Excess in Revenue	350,326	300,621
<u>Fund Balance</u>		
Balance January 1	784,930	924,401
	1,135,256	1,225,022
Decreased by:		
Utilized as Anticipated Revenue	415,709	440,092
Balance December 31	\$ 719,547	\$ 784,930

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2013

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 415,709	\$ 415,709
Sewer Fees and Charges	1,481,035	1,591,825
Miscellaneous Revenue	18,000	26,312
	\$ 1,914,744	\$ 2,033,845

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 4,296
Sewer Inspection Fees	5,775
Delinquent Payment Penalties	8,664
Miscellaneous	7,576
	\$ 26,312

Analysis of Sewer Fees and Charges:

Cash Collected	\$ 1,591,825
	\$ 1,591,825

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013

Sewer Utility Operating Fund					
Appropriations			Expended by		Unex- pended Balance Cancelled
Budget	Budget After Modi- fication	Paid or Charged		Reserved	
Budget	Modi- fication	Paid or Charged	Reserved	Cancelled	
Operating:					
Salaries and Wages	\$ 452,703	\$ 452,703	\$ 425,044	\$ 27,659	
Other Expenses	791,477	791,477	500,540	290,937	
Total Operating	1,244,180	1,244,180	925,584	318,596	
Capital Improvements:					
Capital Improvement Fund	75,000	75,000	75,000		
Debt Service:					
Payment of Bond Anticipation Notes	224,750	224,750	224,750		
Payment of Bond Principal	215,000	215,000	215,000		
Interest on Bonds	93,400	90,200	90,148		\$ 52
Interest on Notes	9,845	13,045	12,942		103
Total Debt Service	542,995	542,995	542,841		154
Statutory Expenditures:					
Social Security System (O.A.S.I.)	36,000	36,000	32,652	3,348	
Public Employers' Retirement System	15,569	15,569	15,569		
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	1,000	1,000	1,000		
Total Statutory Expenditures	52,569	52,569	49,221	3,348	
	\$ 1,914,744	\$ 1,914,744	\$ 1,592,645	\$ 321,944	\$ 154

Analysis of Paid or Charged:

Cash Disbursed	\$ 1,475,455
Accrued Interest on Debt	103,091
Outstanding Encumbrances	14,100
	\$ 1,592,645

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2012	\$ 141,454
Increased by:	
Sewer Charges Levied	<u>1,583,440</u>
	1,724,894
Decreased by:	
Collections	<u>1,591,825</u>
Balance December 31, 2013	<u><u>\$ 133,070</u></u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</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	\$ 25,536	\$ 25,536	\$ 1,777	\$ 23,759
Other Expenses	276,457	276,457	72,979	203,478
Social Security	3,833	3,833		3,833
	<u>\$ 305,826</u>	<u>\$ 305,826</u>	<u>\$ 74,756</u>	<u>\$ 231,070</u>

Analysis of Balance:

Unencumbered	\$ 279,328
Encumbered	26,498
	<u>\$ 305,826</u>

Analysis of Paid or Charged:

Cash Disbursed	<u>\$ 74,756</u>
	<u>\$ 74,756</u>

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

Balance December 31, 2012	\$ 39,925
Increased by:	
Charged to Current Year Budget	<u>103,091</u>
	143,016
Decreased by:	
Interest Paid	<u>103,217</u>
Balance December 31, 2013	<u><u>\$ 39,798</u></u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2013
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,	
	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,131,725	\$ 1,108,559
Fixed Capital	12,900,635	12,900,635
Fixed Capital Authorized and Uncompleted	<u>1,925,000</u>	<u>1,820,000</u>
 TOTAL ASSETS	 <u>\$ 15,957,360</u>	 <u>\$ 15,829,194</u>
 <u>LIABILITIES, RESERVES</u>		
<u>AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 2,120,000	\$ 2,335,000
Bond Anticipation Notes Payable	1,313,500	1,538,250
Due to Sewer Utility Operating Fund	145	1,055
Improvement Authorizations:		
Funded	152,356	103,508
Unfunded	591,205	595,053
Reserve for:		
Amortization	10,885,635	10,565,635
Deferred Amortization	506,500	281,750
Capital Improvement Fund	213,417	243,417
Fund Balance	<u>174,602</u>	<u>165,526</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 15,957,360</u>	 <u>\$ 15,829,194</u>

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
ANALYSIS OF CASH

	<u>Receipts</u>		<u>Disbursements</u>		<u>Transfers</u>		<u>Balance</u> <u>Dec. 31, 2013</u>	
	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Miscel- laneous</u>	<u>Budget</u> <u>Appropriation</u>	<u>Improvement</u> <u>Authori- zations</u>	<u>Miscel- laneous</u>	<u>From</u>		<u>To</u>
Capital Fund Balance	\$ 165,526	\$ 9,076					\$ 174,602	
Capital Improvement Fund	243,417		\$ 75,000			\$ 105,000	213,417	
Due (from)/to Sewer Utility Operating Fund	1,055	1,711			\$ 2,622		145	
<u>Improvement Authorizations:</u>								
Ord.								
No.	<u>Improvement Description</u>							
07-08	Tempe Wick Pump Station	148,848					148,848	
09-09	Improvement of Sanitary Sewer System	446,205					446,205	
04-10	Improvement of Sanitary Sewer System	103,508					103,508	
09-13	Acquisition of New and Additional Sewer Equipment			\$ 60,000		\$ 105,000	45,000	
		<u>\$ 1,108,559</u>	<u>\$ 10,787</u>	<u>\$ 75,000</u>	<u>\$ 60,000</u>	<u>\$ 2,622</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>
							<u>\$ 1,131,725</u>	

MENDHAM BOROUGH
UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Matured	Balance Dec. 31, 2013
		Date of Maturity	Amount				
Sewer Bonds of 2006	8/15/2006	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%			
					\$ 2,335,000	\$ 215,000	\$ 2,120,000
					\$ 2,335,000	\$ 215,000	\$ 2,120,000

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

Ord. No.	Improvement Description	Ordi-nance	Date of		Interest Rate	Balance Dec. 31, 2012	Issued	Matured	Balance Dec. 31, 2013
			Issue of Original Note	Issue					
07-08	Improvement of Sanitary Sewer System	08/18/03	07/18/08	07/13/12	07/12/13	0.64%	\$ 175,000	\$ 175,000	
				07/12/13	07/11/14	1.25%			
09-09	Improvement of Sanitary Sewer System	06/15/09	07/16/09	07/13/12	07/12/13	0.64%	1,363,250	1,363,250	
				07/12/13	07/11/14	1.25%			
						<u>\$ 1,538,250</u>	<u>\$ 1,313,500</u>	<u>\$ 1,538,250</u>	<u>\$ 1,313,500</u>
							Renewals	\$ 1,313,500	\$ 1,313,500
							Funded by Budget Appropriation		224,750
							<u>\$ 1,313,500</u>	<u>\$ 1,538,250</u>	

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2012		2013 Authorizations		Balance Dec. 31, 2013	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Paid or Charged	Funded	Unfunded
07-08	Tempe Wick Pump Station	06/02/08	\$ 220,000		\$ 148,848			\$ 3,848	\$ 145,000
09-09	Improvement of Sanitary Sewer System	06/15/09	1,600,000		446,205				446,205
04-10	Improvement of Sanitary Sewer System	05/01/10	171,000	\$ 103,508				103,508	
09-13	Acquisition of New and Additional Sewer Equipment	06/03/13	105,000			\$ 105,000	\$ 60,000	45,000	
				<u>\$ 103,508</u>	<u>\$ 595,053</u>	<u>\$ 105,000</u>	<u>\$ 60,000</u>	<u>\$ 152,356</u>	<u>\$ 591,205</u>

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

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2012	Notes Paid From Operating Budget	Balance Dec. 31, 2013
07-08	Tempe Wick Pump Station	06/02/08	\$ 45,000	\$ 30,000	\$ 75,000
09-09	Improvement of Sanitary Sewer System	06/15/09	<u>236,750</u>	<u>194,750</u>	<u>431,500</u>
			<u>\$ 281,750</u>	<u>\$ 224,750</u>	<u>\$ 506,500</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2013
GENERAL FIXED ASSETS ACCOUNT GROUP
(Unaudited)

NOT APPLICABLE

BOROUGH OF MENDHAM
SCHEDULE OF GENERAL FIXED ASSETS
(Unaudited)

NOT APPLICABLE

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

NOT APPLICABLE

STATISTICAL SECTION

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

EXPENDITURES	Year Ended December 31,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Current Fund:										
General Government	\$ 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	\$ 2,342,010
Public Safety	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	2,010,962
Streets and Roads	799,554	778,251	777,010	856,237	864,861	779,013	796,301	821,402	799,895	858,383
Health and Welfare	83,549	92,578	102,193	104,143	121,322	111,891	107,670	97,537	98,385	99,457
Recreation and Education	121,614	107,650	154,124	140,553	122,130	132,696	131,778	132,072	130,285	110,287
Deferred Charges and Statutory Expenditures	212,596	223,822	333,748	386,310	519,274	574,955	606,028	694,226	656,305	679,397
Capital	24,775	51,000	299,500	222,000	200,000	170,000	110,000	50,000	133,000	133,000
Debt Service	471,635	484,720	128,265	492,440	491,596	505,100	503,353	583,437	578,777	581,024
Reserve for Uncollected Taxes	358,500	358,500	408,500	408,500	675,000	675,000	675,000	688,500	695,770	709,685
Current Fund Budget Totals	5,143,113	5,612,414	5,767,954	6,389,004	6,838,738	7,134,792	7,238,971	7,380,459	7,506,307	7,524,205
Utility Operating Funds:										
Utility Operations	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	1,244,180
Deferred Charges and Statutory Expenditures	23,800	28,370	28,370	28,370	30,500	31,000	35,000	36,000	36,000	52,569
Capital	88,000	200,000		125,000	125,000	75,000	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	542,841
Utility Operating Fund Budget Totals	1,088,340	1,422,163	1,224,296	1,585,246	1,543,031	1,614,321	1,698,168	1,701,392	1,934,989	1,914,590
County Taxes	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	3,420,007
Local and Regional School Taxes	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	16,043,847
Municipal Open Space Taxes	108,376	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594
Other Expenditures	32,545	70,610	66,344	85,412	235,133	1,238	319,194	285,368	40,053	279,218
TOTAL EXPENDITURES	\$ 21,569,602	\$ 23,256,512	\$ 23,825,429	\$ 25,681,114	\$ 26,932,772	\$ 27,809,391	\$ 28,587,120	\$ 28,539,949	\$ 28,752,900	\$ 29,291,461

Source: Borough records.

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

REVENUE	Year Ended December 31,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Current Fund:										
Fund Balance Anticipated	\$ 1,066,813	\$ 900,000	\$ 600,000	\$ 600,000	\$ 700,000	\$ 783,500	\$ 1,003,885	\$ 1,080,500	\$ 1,206,487	\$ 1,206,487
Miscellaneous Revenue	1,241,943	1,304,971	1,394,093	1,524,493	1,222,480	1,142,359	996,491	872,577	860,841	852,044
Receipts from Delinquent Taxes	212,853	199,894	126,782	151,948	128,816	164,576	150,158	148,338	132,788	134,794
Receipts from Current Taxes	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	6,048,282
Current Fund Budget Totals	5,708,935	6,049,599	6,297,805	6,778,163	7,353,257	7,690,245	7,961,039	8,094,802	8,175,365	8,241,607
Utility Operating Funds:										
Fund Balance Anticipated	200,000	459,317	175,296	175,000	150,000	200,000	200,000	215,000	440,092	415,709
Water and Sewer Rents	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	1,591,825
Miscellaneous Revenue	30,634	64,069	54,087	52,030	28,152	25,513	29,196	22,938	20,503	26,312
Utility Operating Fund Budget Totals	1,251,474	1,542,873	1,278,252	1,597,910	1,783,960	1,827,337	1,800,064	1,822,538	2,039,245	2,033,846
Non-Budget Revenues	172,355	201,400	205,839	345,170	347,193	292,742	350,511	317,324	414,249	413,122
Other Credits to Income	220,434	220,891	289,638	348,908	484,484	258,096	502,504	614,802	398,683	613,969
Taxes Allocated to School, County and Open Space	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	19,573,448
TOTAL REVENUE	\$ 22,658,802	\$ 24,166,088	\$ 24,838,369	\$ 26,691,603	\$ 28,284,764	\$ 29,127,460	\$ 29,944,905	\$ 30,022,196	\$ 30,299,093	\$ 30,875,992

Source: Borough records.

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

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
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%
2013	25,151,774	24,912,045	99.04%	134,803	25,046,848	99.58%	176,378	0.70%

Source: Tax Collector.

Table 4

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

<u>Year</u>	<u>West Morris Regional High School</u>	<u>Mendham School District</u>	<u>Mendham Borough</u>	<u>Morris County</u>	<u>Municipal Open Space</u>	<u>Total</u>
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
2013	0.485	0.767	0.430	0.267	0.008	1.957

* - 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>
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%
2013	1,282,175,833	1,354,282,340	94.68%

* - Revaluation year

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2013 Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
V-Fee Realty	Shopping Center	\$ 22,000,000	1.72%
Roxiticus Golf Club	Golf and Tennis Club	11,082,300	0.86%
Holly Manor	Nursing Home	8,558,600	0.67%
Individual Taxpayer #1	Individual	6,430,800	0.50%
Individual Taxpayer #2	Individual	5,652,500	0.44%
Individual Taxpayer #3	Individual	5,379,200	0.42%
Individual Taxpayer #4	Individual	5,224,100	0.41%
Individual Taxpayer #5	Individual	4,607,900	0.36%
MTWOL Associates, LLC	Individual	4,563,200	0.36%
Individual Taxpayer #7	Individual	4,397,100	0.34%
Total		<u>\$ 77,895,700</u>	<u>6.08%</u>

Source: Tax Collector.

Table 7

BOROUGH OF MENDHAM
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2013
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2013	\$ 1,354,522,277
2012	1,356,678,440
2011	<u>1,375,002,453</u>
	<u>\$ 4,086,203,170</u>
Average equalized valuation of taxable property	\$ 1,362,067,723
Borough borrowing margin (3.5% of \$1,362,067,723)	\$ 47,672,370
Net debt as of December 31, 2013	<u>5,164,345</u>
Borough borrowing margin available	<u>\$ 42,508,025</u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2013, 2012, and 2011.

Table 8

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

<u>Year</u>	<u>Population (*)</u>	<u>Assessed Value</u>	<u>Net General Obligation Debt</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Net General Obligation Debt Per Capita</u>
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	5,018	1,289,110,375	5,588,656	0.43%	1,116
2013	* 5,018	1,282,175,833	5,164,345	0.40%	1,029

Source: Borough of Mendham Records

(*) Information provided by U.S. Bureau of the Census, Population Division, 2013 numbers not available, used 2012 as an estimate.

Table 9

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
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%
2013	883,038	240,991	1,124,029	29,291,461	3.84%

Source: Borough of Mendham Records

Table 10

BOROUGH OF MENDHAM
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>Unemployment Rate(**),(***)</u>	<u>Per Capita Income *</u>	<u>Population(*),(***)</u>
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	5,018
2013	3.30 %	71,730	5,018

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 2013, used 2012 as an estimate
 N/A Information unavailable

Table 11

BOROUGH OF MENDHAM
MISCELLANEOUS STATISTICS
DECEMBER 31, 2013
UNAUDITED

Date of Incorporation		May 15, 1906
Form of Government		Borough
Number of Employees	Full Time	31
	Part Time	25
Area in square miles		6
Borough of Mendham Facilities and Services :		
Miles of streets		33.66
Number of street lights		205
Culture and Recreation:		
Community Centers		2
Parks		9
Park acreage		245
Tennis courts		4
Fire protection:		
Number of Stations		1
Number of Fire personnel and officers		58
Number of calls answered		280
Number of inspections conducted		328
Emergency medical services:		
Number of Stations		1
Number of Emergency medical personnel and officers		38
Number of calls answered		416
Police protection:		
Number of stations		1
Number of police personnel and officers		13
Number of patrol units		9
Number of law violations		
Physical Arrests		52
Traffic violations		461
Parking violations		81
Sewerage System:		
Miles of sanitary sewers		32
Number of Lift Stations		4
Number of treatment plants		1
Number of service connections		1,673
Daily average treatment in gallons		325,000
Permitted daily capacity of treatment plant in gallons		450,000
Water System		Privately Owned
Facilities and services not included in the primary government:		
Cable Television System:		
Miles of service		20
Number of satellite receiving stations		25
Education:		
Number of elementary schools		2
Employees:		
Certified		71
Other		25

Source - Various Borough offices and servicing entities

SINGLE AUDIT SECTION

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

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	1/1/2012	12/31/2013	N/A	\$ 158,381	\$ 158,381 *	\$ 158,381
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	DOT Grant-Pleasant Valley Road	20.205	1/1/2012	12/31/2014	N/A	250,000	96,759	218,642
TOTAL FEDERAL AWARDS						\$ 408,381	\$ 255,140	\$ 377,023

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2013

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
			From	To				
Department of Law and Public Safety	Body Armor Replacement Fund	98-718-066-	01/01/12	12/31/13	\$ 1,523		\$ 1,523	\$ 1,523
		1020-001	01/01/13	12/31/14	1,756	\$ 1,756		
	Drunk Driving Enforcement Fund	100-066-1110-	01/01/11	12/31/13	2,567		1,250	2,567
		260-YYYY	01/01/13	12/31/14	1,233	1,233	581	581
Subtotal - Department of Law and Public Safety						2,989	3,354	4,671
Department of Environmental Protection	Clean Communities Act	765-042-4900	01/01/11	12/31/12	8,664		2,730	3,516
		004-178910	01/01/13	12/31/14	9,931	9,931	170	170
Subtotal - Department of Environmental Protection						9,931	2,900	3,686
TOTAL STATE AWARDS						\$ 12,920	\$ 6,254	\$ 8,357

* - 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, 2013

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, 2013:

Green Acres Program	\$182,081
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The Borough is in the process of repaying this loan. There were no loan receipts or expenditures in the current year. The project related to the loan is complete.



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 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Mendham, in the County of Morris (the "Borough") as of, and for the year ended, December 31, 2013 and the related notes to the financial statements and have issued our report thereon dated February 19, 2014. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

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 an 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.

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

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

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

control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2013-01, and 2013-02 that we consider to be significant deficiencies.

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.

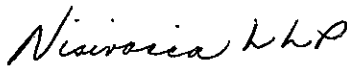
The Borough's Response to the Findings


The Borough's response to the findings 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 19, 2014


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, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 for the year ended December 31, 2013 as both state and federal 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 disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2013-1

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 2013-2

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, 2013
(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, 2013

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 2013, 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, 2013. 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>
2013	2
2012	3
2011	1

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 2013 Taxes	25
Payments of 2014 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, 2013. 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, 2013, 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 2013 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Receipts</u>	<u>Dis-</u> <u>bursements</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
State of New Jersey	\$ 2,100	\$ 41,829	\$ 38,390	\$ 5,539
County	964	15,634	15,501	1,097
Municipality	4,452	28,045	30,449	2,048
Conditional Discharge		300	300	
Public Defender		1,675	1,675	
Municipality POAA	<u>2</u>	<u>32</u>	<u>30</u>	<u>4</u>
	<u>\$ 7,518</u>	<u>\$ 87,515</u>	<u>\$ 86,345</u>	<u>\$ 8,688</u>

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2012 audit report. The recommendations regarding segregation of duties and fixed assets are repeated from the 2012 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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